Journal of Research Administration
Society of Research Administrators International

EARNING MANAGEMENT : INCENTIVES AND CONSTRAINTS

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SUMMARY:
Accounting undoubtedly offers a certain plasticity, depending on how it is understood and interpreted, allowing for choices, options and even policies. Earnings management is likely to be motivated by management's opportunism, or by their desire to communicate information about the company's future performance (efficiency). Thus, previous work distinguishes two perspectives on earnings management: the opportunistic perspective and the informational perspective. The present paper seeks to explore the reasons behind the adoption of P&L management practices, in other words, to answer the question of the constraints and motivations of accounting P&L management.
Earning Management, Accounting; Quality; Incentives; Constraints

ABSTRACT:
Accounting undoubtedly offers a certain plasticity, depending on how it is understood and interpreted, allowing for choices, options and even policies. Earnings management is likely to be motivated by management's opportunism, or by their desire to communicate information on the company's future performance (efficiency). Thus, previous work distinguishes between two perspectives on earning management: opportunistic and informational. This paper seeks to explore the reasons behind the adoption of earning management practices, in other words, to treat the question of the constraints and motivations of accounting results management.
Keywords: Earning Management; Accounting; Quality; Incentives; Constraints

INTRODUCTION

The academic literature on earnings management is relatively rich. There are many definitions of this accounting practice, the most widely cited being that of Schipper (1989), , who sees earnings management as "a deliberate intervention by the manager in the external financial reporting process for the purpose of personal gain".

Some definitions do not restrict outcome management to opportunism, insofar as it can be carried out simply to address a signal.

Indeed, earnings management is likely to be motivated by management's opportunism, or by their desire to communicate information on the company's future performance (efficiency).

Thus, previous work distinguishes between two perspectives on earnings management: the opportunistic and the informational.

Accounting profit is a very important indicator of economic performance, as it determines the

transfer of wealth. It is used both in contracts (Watts and Zimmerman, 1986) and by the market to value securities. In this section, we present a literature review of the determinants of its "management".

We will try to find the reasons behind results management practices. Our article will be divided into two parts, the first dealing with incentives and the second with the constraints behind results management.

1. Incentives for managing the bottom line

1.1. Political pressure

The publication of abnormally high profits gives companies political visibility. The latter is seen as provoking managers' fears of state intervention through an inflation of legislative production. In other words, the legislator would be led to produce rules whenever market organization proved ineffective in preserving the general interest. From this point of view, and according to regulatory theory, companies use outcome management to limit political costs.

For example, companies may seek to minimize their results in the event of an environmental disaster in order to reduce future costs that may be imposed by new environmental laws, or to defer their application for as long as possible (Labelle and Thibault, 1998)[1] . In this sense, managers use accounting figures to limit the transfer of wealth from shareholders to the state.

In addition to the costs imposed by regulations when they cannot be avoided, there are also the costs incurred by a strategy of lobbying elected representatives to oppose bills.

To increase his chances of re-election, an elected official has every interest in being attentive to the demands of a public increasingly sensitive to insolent results, the unethical behaviour of certain companies or the high remuneration of certain executives.

While Mukendi-Kabongo (1994)[2] highlights the stir caused by the size of the results published by oil companies during the Gulf crises of 1974 and 1990, the same applies to the results of French banking groups since the start of the financial crisis in 2007-2008.

Previous research considers company size as an indicator of political visibility. It concludes that larger companies prefer accounting methods that reduce earnings (Zmijewski and Hagerman, 1981). Although contradicted by other studies (Saada, 1995), this hypothesis has been confirmed by a number of investigations into earnings management in companies subject to particular political events, such as the SEC investigations (Jones, 1991), the antitrust investigations (Markar and Alam, 1998)[3] and the Gulf crisis of 1990 (Han and Wang, 1998).

1.2. Pressure from creditors (debt clauses)

In addition to the influence of political costs, for the politico-contractual current of positive accounting theory (Watts and Zimmerman, 1978, 1986), accounting choices are also a function of the contractual stakes attached to accounting figures.

One common example is debt covenants. According to agency theory (Jensen and Meckling, 1976), the aim is to avoid a transfer of wealth from creditors to shareholders and/or to prevent this transfer from old creditors to new ones.

The literature distinguishes between "negative covenants" and "positive covenants". Negative

[1] Labelle, R., Thibault, M. (1998). Profit management following an environmental crisis: A test of the political cost hypothesis. Comptabilité - Contrôle - Audit 4 (1) : 69-81.

[2] Mukendi-Kabongo, T. (1994). Analysis of strategies for publishing accounting results. Berlin: European University Publications.

[3] Makar, S., Alam, P. (1998). Earnings management and antitrust investigations: Political costs over business cycles, Journal of Business Finance and Accounting 25 (5-6) : 701-720.

covenants stipulate a maximum rate of dividend distribution, or their payment on condition that earnings exceed a certain threshold. Positive covenants specify a maximum debt ratio to protect the interests of existing and/or "historic" creditors, who may see their guarantees diluted by the arrival of new lenders.

Overall, previous studies tend to show that companies close to breaching their debt covenants adjust their accounting results upwards. Breach of debt covenants is costly, both for the executive (loss of reputation, employment, etc.) and for the company (triggering of collateral mechanisms, difficulty in raising funds, etc.).

Given the high cost to the manager, they are incentivized to avoid defaulting by managing the accounting result. Their remuneration also depends on this.

1.3. The challenge of executive compensation

The compensation hypothesis postulates the existence of a link between executive compensation contracts and accounting practices.

Since accounting profit, as a measure of performance, is a determinant of executive compensation, it may be in the executive's interest to "manage" it in order to increase their remuneration. The hypothesis is based on indexing executive compensation to company performance.

Although factors other than accounting profit (stock market performance, etc.) can play a part in assessing performance, studies on executive compensation tend to validate the existence of this relationship.

The compensation contract hypothesis therefore implies that executives, whose remuneration is indexed to company performance, seek to increase their emoluments. Early studies focused on short-term bonus plans. Healy's (1985) study indicated that executives use discretionary accruals to maximize short-term bonus compensation. The author points out that executives manage their earnings downwards if they are below (above) the minimum (maximum) limit, in order to maximize their bonus in subsequent years.

However, the results of subsequent research re-examining this hypothesis are contradictory.

Some studies have confirmed Healy's bonus-maximization hypothesis (Holthausen et al., 1995, and Guidry et al., 1999)[4] , indicating that managers increase their liquid bonus by judicious use of discretionary accruals (Balsam, 1998). However, Guidry et al. (1999) refuted the idea that executives use discretionary accruals to reduce earnings when profits are below the minimum necessary to earn a bonus.

Gaver et al (1995) highlighted the fact that executives manage results in order to maintain compensation bonuses at a constant level. Other studies have focused on compensation components other than bonus plans, notably stock options (Yermack, 1997; Aboody and Kaznik, 2000; Balsam et al., 2003; Cheng and Warfield[5] , 2005).

Francis et al (2004) point out that increased use of options in compensation contracts leads to opportunistic accruals, which impair the quality of financial reporting.

1.4. Accounting model flexibility and time incentives

Before briefly examining time incentives, we feel it is important to point out that the variability of accounting standards allows for certain deviant practices, as managers are likely to

[4] Holthausen, R. W., Larcker, D., Sloan, R. (1995). Annual bonus schemes and the manipulation of earnings. Journal of accounting and economics 19 (1): 29-74.

[5] Cheng, Q., Warfield, T., (2005). Equity incentives and earnings management. Accounting Review 80 (2) : 441- 477.

choose the standard best suited to their needs in terms of financial communication. Indeed, Mard (2002) points out that "the cost of implementing earnings management depends on the set of accounting standards to which the company refers. Indeed, depending on the standard adopted, the rules are more or less restrictive, and offer management more or less room for manoeuvre". Earnings management is defined as "the use of the flexibility of the accounting model to spread earnings secretion over time in response to the company's legal, economic and organizational challenges" (Jeanjean, 2002)[6].
In addition to the possibility of choosing the accounting framework (to a certain extent), there is also the possibility of choosing accounting options.

1.5. The latitude allowed by the accounting standards

In Morocco, a minority of listed companies apply IFRS to their consolidated financial statements. Moroccan accounting standards therefore apply to unlisted companies and to the holding company financial statements of listed companies.
We note that a number of countries are in the process of adapting IFRS for all companies, and this movement may also eventually apply to Morocco, once the tax consequences of such a changeover have been calculated and accepted by the government. In the meantime, Moroccan accounting standards are gradually being brought into line with IFRS, particularly as regards the monitoring of fixed assets and their depreciation.
Furthermore, US GAAP and IFRS have begun a process of rapprochement in recent years, which could accelerate with the SEC's acceptance of IFRS for foreign companies listed in the US, and the plan under consideration to allow listed US companies to also choose IFRS.
In developed countries such as Germany and Japan, for example, a provision is only tax-deductible if it has been treated in a certain way in the accounts. IFRS are standards based on content and judgment, unlike the rules-based French accounting standards of the past. The importance of this judgment is clearly demonstrated by the pre-eminence given to economic reality rather than legal qualification.
The latitude allowed in the interpretation of accounting standards, by French, American and international standards alike, has enabled and continues to enable certain "liberties" to be taken when managers choose their accounting options. Thus, "the Enron affair, which occurred in October 2001, perfectly illustrates the opposition between rules-based standards (Schipper, 2003), in the American tradition, and principles-based standards, the guiding principle of IAS/IFRS". Casta and Stolowy (2012, p. 105-106)[7] recall, based on the study by Benston and Hargraves (2002), "that Enron's management had opportunistically applied thresholds to avoid consolidating numerous entities with high levels of debt".
With this in mind, on the question of whether principles-based accounting standards (IFRS) are more relevant than rules-based ones (US GAAP) when it comes to limiting earnings management, DeFond (2010)[8] assures that the move to principles-based accounting should give companies more flexibility, and therefore enable them to make greater use of earnings management.

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[6] Jeanjean, T. (2002). Gestion du résultat et gouvernement d'entreprise : Étude des déterminants et formulation d'un modèle de mesure. Doctorat en sciences de gestion, Paris : Université Paris-Dauphine.
[7] Casta, J. - F. Stolowy, H. (2012). De la qualité comptable : mesure et enjeux. In Comptabilité, Société, Politique, Mélanges en l'honneur de Bernard Colasse (Eds, Nikitin, M., and Richard, C.). Paris: Economica, 97-111.
[8] DeFond, M.L. (2010). Earnings quality research: Advances, challenges and future research. Journal of Accounting and Economics 50 (2-3) : 402-409.

Hoarau (2008 a, 2008 b)[9] shows, however, that no prescriptive approach is satisfactory on its own to dissuade managers from managing the accounting result, and that the prescriptive system must combine both approaches.

The development of international accounting standards, presented by the IASB as "high quality" standards, has prompted a number of studies into the link between these standards and earnings management (Jeanjean and Stolowy, 2008a)[10] . Raffournier (2009, p. 445)[11] points out, in this context, that "IFRS are generally more restrictive than the standards they replace. They allow fewer accounting options and require much more disclosure. Their application can therefore be expected to reduce the information asymmetry present on the market".

It should be pointed out, however, that the results of research into the effect of IFRS adoption on earnings management are largely contradictory.

Barth et al (2007) found that the change in standards was accompanied by a reduction in earnings management behaviour and a tendency to defer loss recognition less. In Germany, neither Zimmermann and Gotcharov (2003) nor Van Tendeloo and Vanstraelen (2005) found any significant difference in the behaviour of companies applying IFRS compared with those continuing to use national standards. On the other hand, Christensen et al (2008) found that the former tended to smooth their results less, and to delay loss recognition less. Paananen (2008) shows that the mandatory transition to IFRS has had no effect on the earnings management behaviour of Swedish companies.

These observations put the importance of accounting standards into perspective. They suggest that, as Lang et al (2006)[12] have shown, the application of binding standards is not enough to ensure the quality of accounting figures, as this is also a function of the institutional characteristics of the environment in which the company operates (legal system, degree of investor protection, etc.).

1.6. Time-based incentives

It is important to note that the literature distinguishes between permanent and temporary incentives. Indeed, several circumstances have been identified by researchers as having an influence on the accounting behaviour of managers.

These include initial public offerings (IPOs), takeover bids, changes in management and management buy-outs (MBOs).

In the event of a takeover bid, the managers of target companies tend to increase their earnings to signal the quality of their management (particularly in the case of hostile takeovers), and to convince existing shareholders that the company's profitability is satisfactory and does not justify hostile attacks by predators. During initial public offerings, managers tend to manage their results upwards, in order to comply with their forecasts and/or to obtain the highest possible selling price for their shares. During MBOs, managers tend to manage their earnings downwards, in order to obtain the lowest possible share purchase price. Lastly, when

[9] Hoarau, C. (2008a). Management of accounting information by executives: are principles more dissuasive than rules? La Revue du FINANCIER (168) : 102-108.

[10] Jeanjean, T. Stolowy, H. (2008 b). Do financial analysts contribute to the quality of financial information? L'Art du Management Leadership Performance Développement durable (Eds, Ramanantsoa, B.). Paris : HEC, Les Echos, Pearson, 103-110.

[11] Raffournier, B., (2009). International accounting. In Encyclopédie de comptabilité, contrôle de gestion et audit (Eds, Colasse, B.). Paris : Economica, 1035-1046.

[12] Lang, M., Ready, J., Wilson, W. (2006). Earnings management and cross listing. Are reconciled earnings comparable to US earnings? Journal of accounting and Economics 42 (3) : 255-283.

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there is a change of management, the new manager generally proceeds to clear the accounts, especially if the succession is non-routine (Mard and Marsat, 2008[13] , 2009[14]).
The expression of managerial opportunism through P&L management can be more or less curbed. This leads us to develop the constraints on earnings management (II).

2. *Constraints on earnings management*

2.1. Board attributes, auditors and audit committees

According to Batsch and Bonsergent (2009, p. 106)[15] , "the existence of quality control bodies, such as the best-known and most important for the accounting function - the audit committee or accounts committee - are essential to the true and fair view of the accounts.
In a large listed company, the audit committee is made up of directors acting on behalf of the board of directors". We will therefore present previous work examining the board of directors (2.1.1) and the audit committee (2.1.2) as determinants of earnings management, before presenting work on the role of auditors (2.1.3).

2.1.1. Board of Directors

Since the work of Jensen and Meckling (1976) and Fama (1980), the literature has seen the board of directors as a supervisory body, helping to align the interests of managers with those of shareholders and, incidentally, reducing agency costs. However, whereas the Anglo-Saxon view is that the board's primary purpose is to protect the interests of shareholders, the French view is that its primary objective is to defend the company's social interests. The Viénot I report (1995, p. 6) states that "the Board of Directors is a collegial body which collectively represents all shareholders, and which is obliged to act in all circumstances in the company's corporate interests".
To assess the effectiveness or "quality" of the board in its disciplinary mission, the literature mainly refers to its composition, and in particular the degree of independence of its members from general management (Souid and Stepniewski, 2010)[15] .
In the French context, reference should be made to the Bouton report (2002, p. 9)[16], which defines an independent director as someone who "has no relationship of any kind whatsoever with the company, its group or its management, which could compromise the exercise of their freedom of judgment". This report provides criteria for assessing the independence of directors, i.e. their ability to critically review the accounting choices made by management.
Under these conditions, the literature suggests that the presence of independent directors, guaranteeing better quality control, helps to limit earnings management.
Peasnell et al (2000)[17] and Klein (2002)[18] studied the influence of outside directors on P&L management. Their results confirm previous studies, establishing a negative relationship between the proportion of outside directors and the level of earnings management. Jeanjean

[13] Mard, Y., Marsat, S. (2008). Accounting strategies preceding a change of manager in France. Finance Contrôle Stratégie 11 (4) : 111-136.
[14] Mard, Y., Marsat, S. (2009). Managing the accounting result around a change of manager in France. Comptabilité - Contrôle - Audit (numéro thématique) : 141-170.
[15] Batsch, L., Bonsergent, D. (2009). Les 100 mots de la comptabilité Paris: P.U.F. Que sais-je ?
[16] Bouton, D. (2002). Pour un meilleur gouvernement des entreprises cotées. Report of the working group chaired by Daniel Bouton. Document Mouvement des Entreprises de France (MEDEF) and Association Françaises des Entreprises Privées (AFEP-AGREF). Paris, France.
[17] Peasnell, K., Pope, P., Young, S. (2000). Accrual management to meet earnings target: UK evidence pre-post Cadbury. The British Accounting Review 32 (4): 415-445.
[18] Klein, A. (2002). Audit committee, board of directors and earnings management. Journal of Accounting and Economics 33 (3) : 375-400.

(2002), Janin and Piot (2008)[19] confirm these results and establish a negative and significant link between the proportion of independent directors and earnings management in the French context. It should also be noted that the Board of Directors may exercise its function or delegate it to committees, such as the Audit Committee.

2.1.2. Audit committees

The primary function of the Audit Committee is to oversee the company's financial reporting process (Komarev and Prat Dit Hauret, 2011)[20] . To do this, it regularly brings together the company's external auditors and internal financial executives to: review the company's financial statements, audit process and internal control. Its size is an important factor in the effectiveness of its control (Beasley, 1996; Carcello and Neal, 2003). Codes of good governance practice recommend that the committee consist of between three and five members.

These codes also recommend that audit committees should be independent. The Viénot reports specify that independent directors must represent at least one-third of the committee's members, and that the committee must include at least three directors.

The Bouton Report (2002) recommends increasing the proportion of independent members to two-thirds.

These laws and codes have given legal existence to audit committees, endowed them with the power to oversee the audit function within the corporate governance system, and above all made them mandatory in listed companies.

[19] Janin, R., Piot, C. (2008). The influence of external auditors and audit committees on the information content of accounting manipulations. La Revue des Sciences de Gestion (223) : 23-34

[20] Komarev, I., Prat Dit Hauret, C. (2011). Audit committees in the governance of listed companies, Revue Française de Comptabilité (441): 58-62.

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To be effective, an audit committee must be active. Previous work has looked at the number of audit committee meetings as a measure of its activity (Piot et al., 2008)[21] .
Best practices include at least one meeting per quarter. In addition, codes of good governance practice recommend that at least one member should be an expert in finance or accounting.
Independence alone is not enough. It is a necessary but insufficient condition for controlling management. Indeed, the expertise of committee members improves the quality of financial reporting and avoids the problem of earnings management (Beasley, 1996[22] ; Carcello and Neal, 2003[23]).
Indeed, empirical research has shown that the presence of an audit committee can contribute significantly to the quality of accounting and financial information (Piot and Kermiche, 2009)[24]
Janin and Piot (2007, 2008) assert that the presence of an audit committee on the board of directors, and this alone, has a reducing effect on discretionary accruals, revealing a greater tendency towards conservatism. On the other hand, neither the independence nor the competence of this body seems to have a significant impact on the various components of accounting earnings.

2.1.3. Auditors

Like the board of directors, the audit aims to reduce agency costs between the company's various stakeholders. Indeed, if accounting information is to serve to reduce the asymmetry of information between management and the company's other partners, within the framework of their political-contractual relations, it must also reflect the company's real situation.
The mission of auditors, and more specifically statutory auditors, as part of their statutory audit assignment, is to verify and express an opinion on the financial statements. In this case, they must express an opinion on the validity of the financial documents in accordance with the accounting standards used. They certify that the annual financial statements give a true and fair view of the company's financial position, assets and liabilities, and of the results of its operations for the year just ended.
The purpose of the audit is to provide reasonable assurance to the company's stakeholders of the reliability of the accounting documents provided by management. By restricting management's freedom of action in terms of accounting and financial choices, auditor control helps to reduce agency costs. However, effective cost reduction requires a quality audit, determined in particular by the skills and independence of the auditors (Citron and Taffler, 992)[25] .
For DeAngelo (1981, p. 186)[26] , audit quality is defined as "the probability perceived by the market that a given auditor will detect and report an error in the client's accounting system". The author also considers that competence and independence, key factors in audit quality, are associated with the auditor's (firm's) size. Indeed, if larger firms have greater resources at their disposal to

[21] Janin, R., Piot, C. (2008). The influence of external auditors and audit committees on the information content of accounting manipulations. La Revue des Sciences de Gestion (223) : 23-34.
[22] Beasley, M. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. The Accounting Review 71 (4) : 443-465.
[23] Carcello, J. V., Neal, T. L. (2003). Audit committee independence and disclosure: Choice for financially distressed firms. Corporate Governance: An International Review 11 (4) : 289-299.
[24] Piot, C., Kermiche, L. (2009). What are audit committees for? A look at empirical research, Comptabilité - Contrôle - Audit 15 (numéro thématique) : 9-54.
[25] Citron, D. B., Taffler, R. J. (1992). The audit report undergoing concern uncertainties: An empirical analysis. Accounting and Business Research 22 (88) : 337-347.
[26] DeAngelo, L. (1981). Auditor size and audit quality. Journal of accounting and economics 3 (3) : 183-199.

carry out their assignments, and can more easily withstand the loss of a mandate, they should provide a higher quality audit. According to DeAngelo (1981), two arguments support this hypothesis.

The first is the loss of reputation, which can be greater for larger firms. If their fees are justified by their reputation, they have more to lose if it is damaged. It is therefore in their interest to perform quality audits to preserve their reputation (Bessière and Schatt, 2011). The second argument relates to the risk of more frequent lawsuits for large firms. As large firms are richer than small ones, clients can expect to obtain more substantial damages in the event of a failed assignment. They will therefore be more inclined to take legal action.

Larger firms thus have an additional incentive to deliver a higher-quality audit. Several studies therefore consider audit firm size as an indicator of audit quality, and therefore as a constraint on results management. These include DeFond and Jiambalvo (1991), Janin and Piot (2008) and Benkraiem (2007).

As early as 1991, DeFond and Jiambalvo demonstrated the influence of the audit firm's membership of a major international firm (Big Eight) on the reduction in the occurrence of accounting errors increasing earnings. Becker et al (1998), Francis et al (1999), Kim et al (2003) and Mard (2002) confirm this result, observing a negative and significant link between the level of earnings management and membership of a Big Six. On the other hand, Jeanjean (2001, 2002) and Janin and Piot (2008) find no significant relationship in the French context, unlike Benkraiem (2007), who finds a negative link between earnings management and auditor membership of a Big Four.

According to Chanson and Rougès (2012, p. 5)[27], "the mere fact of having a statutory auditor does not really constitute a signal when it is a legal obligation, but rather an index in the sense of Spence (2002). On the other hand, a company can signal the quality of the information it produces through its appointment choices".

2.2. Technical (time) constraints

As we explained earlier, management has a certain amount of latitude when it comes to accounting and financial choices. The nature of these possible choices does not alter the total amount of accruals over a period, but only their distribution between different years. The scope for this latitude is therefore not unlimited.

As Jeanjean (2001) points out, earnings management (as reflected in accruals) is subject to a time constraint. Indeed, over a given period, consisting of several accounting years, the algebraic sum of earnings is constant (discretionary accruals are worth zero on average over the period observed). Indeed, managers' ability to manage earnings diminishes with the cumulative effect of earnings management in previous years (Barton and Simko, 2002).

The literature speaks of the "temporal reversibility" of accounting and financial choices. This was tested by DeFond and Park (1997). They demonstrate a significant and negative relationship between discretionary accounting choices in the current year and those in the previous year. The results of Jeanjean (2001, 2002), as well as those of Benkraiem (2007), validate this hypothesis. This hypothesis underlies the studies dealing with the smoothing of results.

[27] Chanson, G., Rougès, V. (2012). Outsourcing the accounting function tested by signal theory. Finance Contrôle Stratégie : 15 (3).

2.3. The ethics of producers and controllers of accounting and financial information.

Ethical choices only arise where there is a degree of freedom of action. Since earnings management is carried out within a legal framework, we need to consider the role played by the ethics of the players in their discretionary accounting choices.

The quality of the accounting result is defined as "its ability to accurately reflect economic performance" (Raffournier, 2009, p. 442). In principle, the accounting result would be considered above all as wealth to be shared between the company's various stakeholders in the form of dividends (shareholders), taxes (government) and bonuses (employees and managers). In contrast, in countries such as the United States, accounting is generally intended to serve the needs of investors. Investors, however, are primarily interested in the ability of earnings to accurately reflect a company's true economic performance.

In all cases, there is a preference for a non-manipulated result, immediately incorporating both good and bad news, and thus respecting the principle of prudence, a constitutive dimension of the quality of this result (Raffournier, 2009). As the objectivity of the accounting result is therefore impossible, and the standard uncertain, ethics must take over (Colasse, 2007, 2012). This is the deeper meaning of the British notion of "true and fair view" (Colasse, 2007, 2012). If not true, the corporate image produced by accounting must be fair.

Ethics are thus called upon to compensate for any technical shortcomings (Colasse, 2007, 2012).

Indeed, the ethical element, because it is difficult to grasp, can be located not at the level of the basic postulates of accounting theories, but at the level of the objectives of accounting.

The PCG (1999) makes the true and fair view the sole objective of accounting. It is indeed an ethical concept, more reminiscent of the so-called "rules of the game", with their particular logic, than of the directives of a code of good conduct. The true and fair view is positioned simultaneously as an ethical concept of accounting and a central element of economic representation, thanks to which the contradictions of the accounting framework can be reconciled. This gives it a superior and finalizing dimension.

Indeed, "without an ethic on the part of those who produce [the information], the risk is that the accounting model, completely disconnected from reality, will become, to speak as Baudrillard (1981), nothing more than a 'simulacrum' of the company, used for communication purposes." (Colasse, 2012, p. 79)[28].

Earnings management is both an economic and an organizational phenomenon (Jeanjean, 2002). Indeed, the manager is not alone in choosing the published result. It is a co-production of several players (Jeanjean, 2002): producers (accountants, management controllers, directors, etc.) and controllers (auditors, financial analysts, etc.). Companies can either produce accounting information themselves, within their own accounting departments, or entrust the task, or part of the task, of producing accounting information to external parties (chartered accountants).

Chanson and Rougès (2012, p. 4)[29] suggest considering "outsourcing the accounting function as a signal to providers of funds". The authors consider that "the choice to have one's accounting function carried out limits the possibility of fraud or management of accounting data".

Indeed, in their study, Chanson and Rougès (2012, p. 4) support the idea that earnings management "is easier when accounting is carried out by employees subject to the

[28] Colasse, B. (2012). Les fondements de la comptabilité. Paris: La découverte "Repères".

[29] Chanson, G., Rougès, V. (2012). Outsourcing the accounting function tested by signal theory. Finance Contrôle Stratégie: 15 (3).

hierarchical authority of the manager than when it is done by an external service provider. In addition to the absence of a hierarchical link, these external accountants work with different clients and can more easily refuse any questionable practices that may be asked of them. They often have the expertise and procedures to justify any refusals. Both chartered accountants and management and accounting associations must abide by the Ordre's motto of "science, conscience, independence". The profession's code of ethics requires them to "terminate the contract binding them to their client or member as soon as an event occurs which could place them in a situation of conflict of interest or undermine their independence". "With this in mind, outsourcing the accounting function can be interpreted as a signal of the manager’s determination not to manipulate the accounts which are used, in particular, to monitor his actions. By increasing the various controls to which its accounts are subject, this decision limits its subsequent capacity for opportunistic manoeuvres". "It is therefore an action taken by a company that sincerely communicates private information about itself, enabling it to distinguish itself: it is therefore a signal to current and potential providers of funds. In the absence of any legal obligation to communicate on outsourcing, there are a number of ways in which the latter can find out about it: general meeting of shareholders, annual report, roadshow, conference call, financial communication, etc. For example, Bricorama states in its 2009 annual report (p. 70): "The Group's IAS/IFRS consolidation is managed using Magnitude software from Cartesis and outsourced to Price Waterhouse Coopers."[31] . It should be remembered, however, that outsourcing of the accounting function generally only concerns small and medium-sized enterprises (SMEs), or even intermediate-sized companies (ETIs).

2.4. Greater accounting and financial transparency

The introduction of incentive contracts (remuneration contracts, debt contracts), partly based on the company's accounting performance, can, as we have already discussed, provide an incentive to manage earnings. However, the implementation of such contracts can be optimal when it encourages the manager to reveal part of the information at their disposal (Mard, 2006). Dye and Verrechia (1995) develop a model in which the revelation of information relating to executive compensation contracts helps to mitigate agency costs between executives, shareholders and investors.

In addition, debt covenants calculate ratios based not only on accounting results, but also on debt levels and financial expenses.

Indeed, in addition to information relating to incentive contracts, the disclosure of information about the company is likely to limit earnings management.

According to Mard (2005), the publication by companies of information relating to business fundamentals and segment information could help reduce the information asymmetry between management and users of accounting information. Drawing on a theoretical study by Dutta and Giggler (2002), Mard (2005) also points out that the publication of forward-looking information is a means of reducing information asymmetry. This disclosure of private information is thus likely to mitigate earnings management. However, the high frequency of such publications is not without its virtues, as it can destabilize markets and even encourage earnings management.

CONCLUSION:

Through agency theory, the "politico-contractual" component of the "positive theory of accounting" provides analytical elements for the many conflicts of interest between the

principal (the shareholder) and the agent (the manager) in companies. In addition to its contribution to understanding earnings management practices, it has enabled research to integrate the "governance" dimension (notably ownership structure) by placing informational asymmetry at the heart of the agency relationship. Moreover, according to information theory, managers will seek to send out a strong positive signal of alignment with shareholders' interests by adopting a policy of voluntary disclosure. Nevertheless, managers may decide not to disclose certain information because of high costs, competition in the company's market and the risk of legal action if the information disclosed turns out to be false. Both theories emphasize the role of the leaders in shaping accounting policies. As they are the only ones to know the economic reality of the company and its true financial situation, can : - voluntarily disclose privileged information about the company's situation and potential; - manage the accounting result to their own advantage or that of one or more shareholders/owners. Although accounting income represents a small proportion of the overall financial information provided by listed companies, it is an essential component of the information disseminated to financial markets (Lakhal, 2006a). It is an important element in providing stakeholders with the means to judge a company's financial performance. With this in mind, the next chapter examines the relationship between these two dimensions of accounting policy, and the effect that ownership structure can have on them.

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