

THE IMPACT OF CORPORATE GOVERNANCE ON EARNINGS MANAGEMENT IN LISTED COMPANIES IN SRI LANKA

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Abstract

Earning management is a very important indicator to any organization as some managers manipulate earnings and the financial statements do not present according to the true and fair value. This study's objective is to analyse the relationship between corporate governance and earnings management in listed manufacturing companies in Sri Lanka. C.E.O duality (CD), board independence (BDIN), board members with financial expertise (BDFX), number of board meeting (BDMEET), board size (BDSIZE), used as the main indicator of corporate governance and firm size (Size) and return on asset (ROA) used as control variables, Then, discretionary accrual (DA) is applied as the earning management indicator. The study uses secondary data of all listed companies from 2017 to 2021. Data are analysed using regression. The finding of the study shows that board members with Finance expertise and CEO duality negative significant relationship with earning management and board meeting positive significant relationship with earning management, that depict firm which have two separate positions for chief Executive officer and chairman are more effective in reducing earning management, then board may have professionally qualified directors that effect to the Reducing Earning management.

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