



Earnings Management and Annual Report Readability

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ABSTRACT

The annual report is just one of the ways that managers could have relationship with investors. Managers have many limitations in communicating with investors, so Annual Report is a legible way to build trust, communicate and continue of this relationship. Investors and other users can benefit from a firm's profits for investment decisions and predictable cash flows and future profits correctly when the firm's profits is based on financial performance and it will be legible and clear, and not it should not be reported based on speculation management uses accounting methods. Therefore, a strong impetus of managers to falsifications and show a good image of the company may lead to unrealistic stock prices, irrelevant of accounting information and ultimately wrong decisions could be occurred. The aim of this study is to evaluate the effect on the legibility of earnings management accounting information, including earnings per share and its book value . Because the conscious actions have a negative effect on the earnings and book value per share and consequently the predictability and profit accounting were reduced and this leads to irrational decisions is invested. This study is review, and sum of 13 similar studies topic. Google Scholar databases was using of Scientific Information Database (SID) and the Science Direct website. Researchers will investigate various effects of earnings management and accounting information in different aspects . The results of this study will be discussed below. In the previous researches the only study that was similar is Lu et al (2017) in France and called earnings management and readability annual report. Among the Previous studies it is not found the internal study which will survey earnings management and readability of the annual report . in this regard It is suggested, few studies will do in Iran. Because the financial statements can be cleared.

Keyword:

profitability, Annual report
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