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Research paper

An analysis of Earning Management and Manager's Behavior towards Earnings in the Banking Industry (Guaranty Trust Bank) Sierra Leone, West Africa

Lamin Kaira[1]

[1] *School of Postgraduate Studies, Njala University Sierra Leone, West Africa, Sierra Leone*

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ABSTRACT

Earnings management is the deliberate manipulation of the financial reporting process for one's own benefit. The majority of managers want to increase their ability to falsify financial statements. It explained the classification of earning management into two main groups: accrual earning management and real earning management. It also explains the three techniques managers use to perform earning management: sales manipulation, overproduction, and reduction of discretionary expenditure. The objective of this study is to analyze managers' behavior towards earning at Guaranty Trust Bank Sierra Leone Limited (purpose of earning management, the method used to control earning management, parties that influence earning management, and parties affected by earning management). Several companies, like Enron Corporation, World.com, and Walt Disney Company engaged in earning management to defraud stakeholders. The populations of the study were senior staff of Guaranty Trust Bank Sierra Leone, limited to 2020 to date. The study is based on primary and secondary data. Secondary data were published in journals and articles. A total of 50 questionnaires were issued to Guaranty Trust Bank Sierra Leone Limited's senior staff through Google Forms, and 20 articles and journals were reviewed accordingly. The data were analyzed using SPSS and presented in the form of a chart. The results show that the purpose of earning management is to mislead shareholders, and proper audit measures are the best way to control earnings. Also, shareholders are greatly affected by earning management fraud.

1. INTRODUCTION

Earnings management (EM) is a series of actions that influence the reported earnings in financial statements. It results from the flexible rules that let managers disclose earnings at their discretion. The capacity to alter accounting figures is available to businesses when they fall short of their financial goals regarding profits, debt covenants, and other financial metrics like earnings and revenues. Also, managers have the power to alter credit policies and expenditures for maintenance, advertising, recruitment, and development to deceive the public about their organizations' financial performance (Tran et al., 2022) One of the simplest methods managements uses to conduct financial fraud in institutions is earning management. Managers deceive company stakeholders by using earning management. Most managers used earning management in the 1970s and 1980s to alter the figures on financial statements by using accounting policies. Financial statement manipulation is the main objective of most managers. Increasing sales figures is accomplished by using earning management (Roychowdhury, 2006). According to Alhadab & Nguyen, (2018), earning management is classified into the following categories: accrual earning management and real earning management. Accrual earning management aims to cover actual economic performance by changing accounting procedures to falsify financial statements (Tran et al., 2022). On the other hand, real earning management is changing transaction figures to meet financial reporting objectives (Kepsu, 2012). Most managers manipulate financial data to control their earnings by using the methods of stock valuation, depreciation, and provision of bad debt. Provision for bad debt is an estimated figure or extra capital set aside out of profit for any unforeseen losses (Burling, 2021).

Studies have proved that some managers use the research and development (R&D) spending method to purchase shares to stop adulterated earnings per share. Gao & Gao, (2016) opined that R&D expenses are direct expenditures concerning the company's efforts to develop and improve its products, services, and/or technologies. As long as earning management is used, it will undoubtedly impact the organization's financial or operational performance, regardless of whether an accrual or real earning management is used. Manipulating real activities will cause the organization to expend much more effort than necessary. Accrued earnings management will not only

*Corresponding author.
E-mail: laminkaira1988@gmail.com

cause impairment or effects on the organization's performance but also cause problems for the individual because he or she will be tempered with the accounting policies and fail to follow them.

The two different types of earning management managers used to commit earning management fraud are Accrual earning management and Real earning management. *Accrual earnings management* is the act and practice of manipulating company operational activities that directly impact cash flow (Susanto, 2017). The company's management or managers use this technique to deceive stakeholders such as shareholders, the government, etc. Earnings management is an intentional corporate management technique that involves interference in the process of calculating earnings, typically to achieve a corporate management aim. According to Susanto, (2017), there are two ways to define earnings management: first, as a tactic applied by administrations to exploit the use of compensation contracts. Political costs and obligation agreements In this instance, managing earnings is referred to as opportunistic management of earnings. Second, consider earnings management from the perspective of effective contracting (efficient earnings management). Management firms acquire the flexibility to safeguard their businesses and selves in case of unforeseen circumstances. Discretionary and nondiscretionary accruals both contribute to the factors of accrual. As an illustration, consider nondiscretionary accruals and the rising credit sales triggered by the expansion of the trade. Deviations in the cost of accounts receivable losses as a result of an accounting change while on discretionary accruals regulations created by management. They suggest that the size of both discretionary and nondiscretionary accruals determines the accounting gains. Differentiating between discretionary accrual and non-discretionary accrual can be challenging for certain researchers. A discretionary approach effectively interferes with the financial reporting practice of accrual management. Then, since the provision for uncollectible accounts receivable did not fit the parameters stated, discretionary accrual was altered. For instance, the business anticipates no change in accumulated liabilities and receivables due to higher sales without the anticipated earning management during an economic expansion phase.

From the perspective of financial reporting, managers can hire earnings management to fulfill analysis earnings estimates, preventing the reputational harm and severe decline in share price that comes in a minute after failing to meet investor expectations. As well, they could overstate write-offs or focus on profitability metrics other than net income, including proforma earnings. Some of these strategies imply that managers do not fully recognize the efficiency of the securities market. The selection by the manager of accounting practices affecting earnings in order to meet a particular reported earnings objective. Thus, earnings management includes both decisions about accounting policy and Real deeds. It should be well-known that the choice of accounting policies has a wide interpretation. Even if the boundary is ambiguous, it is practical to put accounting decisions into two groups. The first decision is on accounting standards, whether to use declining-balance amortization or straight-line amortization or policies for revenue recognition. The next one is accruals. It is discretionary accruals, that include the provisions of rearrangement and inventory values.

2. LITERATURE REVIEW

2.1 Earning management concept

Earnings management refers to a situation in which the manager in charge of preparing and presenting the annual financial reports has access to more information than other stakeholders. This type of situation typically results in an information asymmetry issue between managers and stakeholders, which is brought on by unreliable markets in which stakeholders lack timely access to all the correct and relevant information (Abiodun & Asamu, 2017). According to Sharifah Buniamin, (2012), earnings management arises in a condition wherein the manager uses verdicts in financial reporting in organizing transactions to adjust the reports to mislead stakeholders such as investors, shareholders, or the public about the performance of the entity. Company management must apply many accounting rules and principles to make Fraud and earning management share the same goal in terms of how it affects financial reporting. Gao & Gao, (2016) defined real earnings Management as an additional type of earning management that can be accomplished by shifting the timing of spending in financing to manipulate reported earnings. This can be achieved through the use of various methods and techniques by managers. Several research looked at whether and what kinds of business governance traits limit Real earning management. As seen from the literature research the executive return committee, institutional investors, board independent directors, corporate characteristics, and accounting norms may all contribute to the restraint of Real earning management. It can also be seen that one key objective of earning management is to mislead shareholders. While accruals earnings management involves managers attempting to influence reported earnings by adjusting the time and scope of underlying company activity. Managers are very technical in accomplishing their objectives through effective management. They shifted expenses to another period to gain access to the finances without notice to stakeholders. Real earning management is the process of handling earnings via the normal accomplishments of transactions and influencing reporting through the usage of various procedures like manipulation of trades, overproduction, discretionary expenses, and increases from non-current assets and sales (Alhadab & Nguyen, 2018). When managers persistently make operational choices that affect actual cash flow with the goal of changing reported earnings, real earnings management is taking place. For instance, a business might run product promotions to permit customers more malleable credit terms in order to improve sales proceeds right away. Additionally, managers might strategically cut back on R&D expenditures to lower costs in the income statement (Sun et al., 2014). Managers can postpone maintenance costs to boost reported profitability.

2.2 Earning management technique

There are three main techniques involved in earning management. They are listed below sales manipulation, overproduction, and reduction of discretionary expenditure.

Sales manipulation: Sale activity manipulation is defined as managers' choices to increase sales by providing soft credit terms or larger discounts on sale prices (Alhadab & Nguyen, 2018). In order to boost sales of particular products, management may offer excessive discounts or modify the credit term to make it more flexible for creditors. This method will increase sales figures or volume of sales, and hence earnings in such a period will increase due to an increase in sales volume. Given more or higher discount rates and flexible credit periods, this will undoubtedly diminish current-period cash flow, which will ultimately lead to abnormal cash flow. Sales manipulation is the act of managers encouraging sales during the present period in order to increase reported annual earnings (Xiong, 2020). Managers manipulate sales in order to conceal the true state of a company's financial situation (Xiong, 2020). They can boost profits by extending more lenient credit terms or by lowering prices. They offer factual evaluations on the manipulation of proxy sales as well.

Overproduction; Overproduction occurs when there are more production units than anticipated market demand. Managers use the technique of overproduction to manage earnings. Using this strategy, managers spread stable production expenses overhead across a huge volume of output, lowering the cost of goods sold (Elmadhoun et al., 2021). Because discounts will be offered for more output, excess production will lower the cost of goods. Company management assumed that if they produced more than was required or overproduced, the fixed cost per unit would decrease. Lower cost of items sold as a result of overproduction led to better earnings (Tabassum et al., 2014). Tabassum et al., (2014) evaluated how changes in inventory affect profits and how manufacturing companies influence production to control profits. It was shown that businesses with high fixed costs engage in inventory manipulation more frequently than businesses with low fixed costs.

Reduction of discretionary expenditure; The management of a company can reduce these discretionary expenditures like research, development, sales, advertisement costs, etc. Using this strategy can result in an increase in current period cash flow. Income smoothing procedures may harm investors by providing them with inaccurate information. Financial data is used by the capital markets to determine security prices. Financial data is used by investors to make decisions on whether to buy, sell, or keep shares. Information flow to capital markets is the foundation for market efficiency. The markets could be unable to accurately value equities when the information is wrong. We might think of income smoothing procedures as an agency cost to the extent that they disguise genuine performance and limit shareholders' ability to make educated judgments.

2.3 Purpose of earning management

The primary purpose of earnings management is to attain precise aims by altering applicable accounting measures according to generally accepted accounting principles so that the results on financial reports meet the goals. This concept leads to three main assumptions. Real financial consequences are inventively adjusted to match operating goals (Nagy & Valaskova, 2022); Following generally accepted accounting principles (GAAP), adjustments and amendments are made with a concentration on earnings reports that exceed principles' bookkeeping hopes and intended influences. Accounts are prepared to please management. It was founded that the purpose of earning is to mislead stakeholders such as creditors, shareholders, the government, etc. Another study by Wang et al., (2018) found that a firm's managers use its economic activities to trick or mislead information users and eventually veer away from best practices. It is also ascertained that the goal of earnings management is to accomplish specific goals by altering pertinent accounting procedures in accordance with generally accepted accounting principles so that the results indicated on financial reports meet predefined goals. These three primary assumptions are based on this definition. According to generally accepted accounting principles, modifications and adjustments are done on purpose in order to reflect earnings that are in line with expectations. To satisfy the demands of management or certain people, accounting procedures and the production of reports are purposely altered. To achieve operational goals, creative modifications or distortions of actual financial performances are produced.

2.4 Parties affected by earning management

Earnings management happens when managers use discretion in financial reporting and transaction structuring to change financial reports in order to deceive some stakeholders about the company's true economic performance or to influence the results of contracts that are dependent on reported accounting numbers (Abiodun & Asamu, 2017). There is evidence that managers engage in earning management to mislead shareholders. With no instantaneous impact on cash flow, manipulating accruals is a way to manage earnings that is referred to as accrual manipulation. Examples include delaying asset write-offs and under-provisioning for bad debt costs. Additionally, managers are motivated to alter actual events throughout the year in order to hit predetermined revenue goals. According to Yorke et al., (2016), The interests of shareholders in particular, and the company, in general, are significantly impacted by earnings management. Intentional managerial actions designed to hide the true value of a firm's assets, transactions, or financial position have detrimental effects on shareholders, employees, the communities where businesses operate, and society at large, as well as the reputations, job security, and careers of managers (Bukit & Nasution, 2015).

2.5 The method used to control earning management

In order to have high-quality financial reports, it has been suggested that the financial statements, which are the foundation of financial reports and are indications of the company's economic status in the current period, must be as accurate and free of significant inaccuracies as feasible (Sheeley & Thornock, 2022). Managers' opportunistic behavior is monitored and supervised by auditing firms in order to reduce earning management fraud (Cho & Chung, 2022). According to Cho & Chung, (2022), there is a correlation between the size of the auditor and the quality of the audit, with managers acting opportunistically as a result of poor audit quality. Research demonstrates that top-notch auditing firms are more likely to identify dubious accounting practices by managers and more effectively validate their audit reports (Cho & Chung, 2022). They provide evidence that companies using subpar auditors control their profits more and engage in earnings management fraud. It is believed that one of the causes of management fraud or fraud, in general, is a lack of opportunity. As the saying goes, everyone is a saint in the absence of opportunity. Directors, boards of commissioners, audit committees, internal auditors, and external auditors are involved in financial reporting and supply chain operations (Iriyadi, 2019). Enhancing the functions of the audit committee and the external auditor is anticipated to significantly improve the ability to oversee management operations (Iriyadi, 2019).

2.6 Agency Theory

The agent receives authority from the principal and is bound by that authority. His (the agent's) motive is to commission. Conflict inside agencies is one of the main issues with agency theory. Because the principal and agent have competing interests, a conflict of agency results when both parties try to maximize their goals. The principals' interests are wealth maximization and the agent's interests are to maximize their commission. Conflict of agency results in anomalous management functioning concerning earning management. The practice of earning management is so related to agency theory. As earning management explains the relationship not only between management and other shareholders but also pinpoints the relationship between management and other bondholders. Similar to agency theory explaining the bond between the principal and agent it goes further to brief the relationship between agent and managers which is also known as the principal. According to agency theory, good corporate governance can diminish conflicts of interest between business owners and management. The presence of institutional ownership as a part of shareholder ownership is one aspect of corporate governance. When completed well, institutional possession can monitor management performance and impose restrictions on management's ability to conduct earnings management (Wirianata, 2020). The interaction between managers and investors as contract managers serve as the foundation for this notion. The management may engage in activities that the investor does not prefer that allow for the cost of agencies as a result of the agreement between the investor and agency (Dony & Chairal, 2021). These charges include residual losses, bonding (management guarantees costs won't affect investors), and monitoring costs (investor expenses so managers can still control their behavior). These cost organizations also charge for monitoring (decreasing percentage in welfare level after an agency relationship exists). Information asymmetry may result from the disagreement between the manager and this agency. Information asymmetry is the state that results in an imbalance in the information that managers and investors have gathered. The performance of managers (agents) must be controlled and monitored by intermediaries for it to meet the needs of (principals) investors (Dony & Chairal, 2021).

2.7 Bonus Motivation

The first hypothesis in PAT theory is also referred to as the ''bonus plan hypothesis''. According to this theory, the company management will adopt an accounting system for bonuses that will increase the organization's profits; hence, the bigger the firm's yearly income, the more bonus at the end of the year. Managers will attempt to move profit from the future to the present in organizations with bonus plans, such as the banking sector, to enhance their earnings. Concerning the bonus plan or compensation of Management, the Company owner will promise that management will receive a bonus if the company attains the targeted profit for the period. Management can use this promise to get a bigger bonus hence the manager put higher cash flow under his control (Scholten, 2014).

When the bonus is clearly stated by shareholders based on performance, the manager will create the cash flow or values for them to get the higher bonus, therefore, it is adverse that shareholders should not base the bonus on performance to minimize the risk of earning management by managers. There are various motives why management wants to implement certain earnings management methods, and these reasons vary depending on how the management of the company relates with other parties who share similar interests. The agency theory concept, which states that both management and owners want to maximize self-benefit, is used to explain how management acts as an agent of the company's owners. The statement of self-interest imposed by the separation of ownership from management may lead the administrator to behave with opportunistic aims to maximize its gain at the expense of other parties by adopting a set of techniques to influence earnings (Elmadhoun et al., 2021).

2.8 Taxation Motivation

Tax motive is another factor that may have an impact on behavior related to profit management. Businesses typically generate separate financial accounts for their commercial and fiscal operations, which results in disparities between their accounting and fiscal earnings (Sulistyowati & Hendrawati, 2020). The premise used to prepare the various financial accounts is the cause of the variations. In Sierra Leone, generally accepted accounting standards (GAAP) are used to prepare accounting profits, whereas tax laws are used to prepare fiscal profits. Deferred tax burden results from the discrepancy between accounting income and temporary fiscal profit. In order to determine whether a firm uses earnings management through the deferred tax component in order to avoid reporting losses, deferred tax analysis can be used as an alternative by external parties who utilize financial statements and other parties connected to the company. A company's delay in paying taxes as a result of a brief discrepancy between accounting profit and fiscal profit is known as deferred tax. In essence, accounting and tax expenses or revenues are identical, but the allocation varies annually.

It is one of the most well-liked and significant sources of income for the government. To collect the annual tax, taxing authorities like Sierra Leone's national revenue authority tend to establish their tax laws and procedures. The changes in tax rate will provide an incentive for the company to carry out their earning management by reducing the income that is supposed to be taxed hence, the firm tax burden will be less while profit will increase (Sulistyowati & Hendrawati, 2020). Looking at the company's treatment in assessing deferred tax and corporate income tax in the financial statements of the company is one way to learn how a corporation uses tax motivation. Through careful tax planning, management might pay less in taxes than they should, raising the profit statements and even using the deferred tax asset to offset future periods. It is possible that management does not act with the best intentions to prioritize the interests of the owner, but rather their own interests, due to the desire for bonuses resulting from profits in the financial statements and the need for the management to adhere to the credit terms in order to obtain credit (Pramana & Firnanti, 2020).

2.9 Real transactions

Managers can alter earning management without altering accounting procedures. They might raise prices by speeding up sales and boosting product discounts. This will result in higher sales for the period under consideration. They can control revenue by producing too much. Increase output by spreading fixed overhead costs over a number of units, which will result in reducing fixed costs per unit. Also, lower their cost of goods sold to show huge profit margins. They can also perform earning management by selling fixed costs and they cut down R &D expenses. Research and development expenses are costs that directly concern a company's exertions to improve and enhance its products and services. The identification of related parties and transactions with related parties is one of the crucial and challenging areas of financial statement audit, according to the American Institute of Certified Public Accountants (AICPA). Related parties, including controlled entities, principal stockholders, or management, can carry out transactions that improperly inflate earnings by concealing their economic substance or distorting reported results through a lack of disclosure (Gordon & Henry, 2011). According to agency theory, a concentrated ownership company's management acts as an agent and is motivated by its own self-interest (controlling shareholder). As a result, this study hypothesizes that businesses with a high perception of related party transactions may utilize them to modify earnings for outright appropriation or to report results that are not meaningful in order to hide their expropriation operations.

2.10 Earnings management cost allocation

Charitable organizations are also using the joint cost allocation to smooth their program ratio and use it as an indicator of charitable efficiency (Hofmann & McSwain, 2013). They sometimes use this method to measure their performance. Various companies will try to earn management by joint cost allocation to appreciate activities by the public. To allocate this cost they used following the process: they shift the cost to below-the-line items or other subsidiaries that are allocated in the area of other tax.The purpose of nonprofit management is not the maximization of shareholder wealth as it is for the usual profit-seeking corporation. The stakeholders that nonprofits serve are distinct, and they assess economic performance in slightly different ways. Research reveals that nonprofit organizations, like for-profit businesses, have incentives and opportunities to present financial information incorrectly in order to deceive stakeholders or affect contractual outcomes. We refer to the opportunistic use of financial reporting and real-transaction management to influence stakeholders' perceptions of business performance as "financial disclosure management'' rather than "earnings management'' because nonprofit organizations do not focus on earnings or profits as such. Research reveals that nonprofit organizations, like for-profit businesses, have incentives and opportunities to present financial information incorrectly in order to deceive stakeholders or affect contractual outcomes. We refer to the opportunistic use of financial reporting and real-transaction management to influence stakeholders' perceptions of business performance as "financial disclosure management'' rather than "earnings management'' because nonprofit organizations do not focus on earnings or profits as such.

Several companies, like Enron Corporation, World.com, and Walt Disney Company, Sierra Leone banking industry (Guaranty Trust Bank Sierra Leone Limited) is not exception, engaged in earnings manipulation tactics in the capital market. For instance, it has been established that the Enron Corporation manipulated earnings, which were wrought by agency auditors to enhance profits that were in fact unrealized, to the tune of $ 1 billion. Together with Xerox Corporation, this corporation has been proven to have manipulated accounting earnings through revenues totaling USD $6 billion. The figure differs from the US Securities and Exchange Commission's estimate that, on that day, the current value of the period from 1997 to 2000 was at USD 3 billion. Due to its frequent associations with managerial or financial statement-making conduct, the word earnings management started to draw the attention of experts, particularly accounting researchers (preparers of financial statements). At first glance, it could seem like managing earnings is directly related to how much money a firm makes or how well its operations are doing. That makes sense because management success is frequently correlated with the level of profit made. In addition, it is typical for the manager to receive a bonus based on the profitability of the company. Because of this, it is not surprising that managers frequently want to showcase their employees' accomplishments through profit or level of achievement. Earnings management is currently the most prevalent issue that has spread to most businesses worldwide. According to the capital market regulatory body, there were 25 instances of capital markets being violated from 2002 to 2003. From the above 25 cases, 13 violations were related to conflict of interest and information disclosure (Syahirah et al., 2020). Between 1998 and 2001, there have been numerous financial scandals involving financial reports in both public and private companies.

3. MATERIALS AND METHODS

Primary and secondary data have both been utilized in this research. Primary data have been gathered by issuing questionnaires in Google Forms to senior staff of Guaranty Trust Bank Sierra Leone Limited, Secondary data that were used in this study were published data from journals and articles related to earning management. A total of 50 questionnaires were issued to Guaranty Trust Bank Sierra Leone Limited's senior staff through Google Forms, 26 were completed and submitted to the researcher, and 20 articles and journals were reviewed accordingly. Data collected so far were analyzed using the Statistical Package for Social Sciences (SPSS) and presented in a chart.

The convenience sampling method is used because most earning management fraud occurs by senior staff of an institution, and Guaranty Trust Bank Sierra Leone Limited is not an exception to this. Smaller numbers of samples are used because, in a small sample, measurement biases, and mistakes are easier to identify and control. This is because earning management fraud is very difficult to detect and control in financial institutions.

4. RESULTS AND DISCUSSION

Methods of controlling earning management

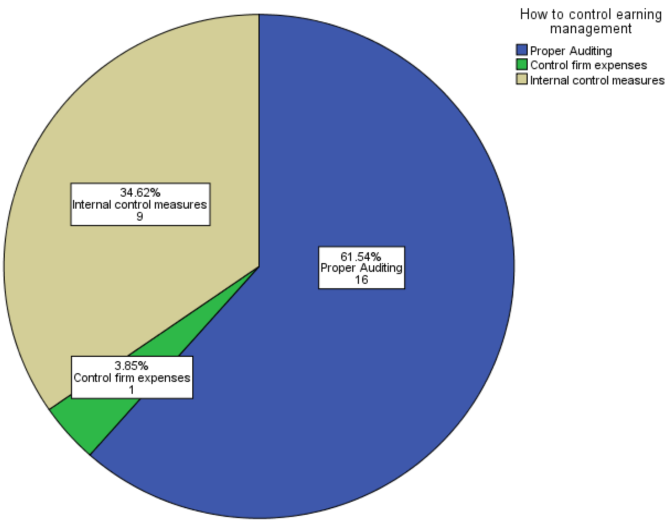

Figure 1. Methods of controlling earning management

Sources: obtained from primary data

Figure 1 shows that the method of controlling earnings management is by introducing proper auditing procedures followed by internal control measures. There are minute effects of controlling firm expenses to curtail earning management. Hence, 61.5% accounted for proper audit measures, 38.6% for internal control measures, and 3.9% for controlling firm expenses.

Purpose of earning management

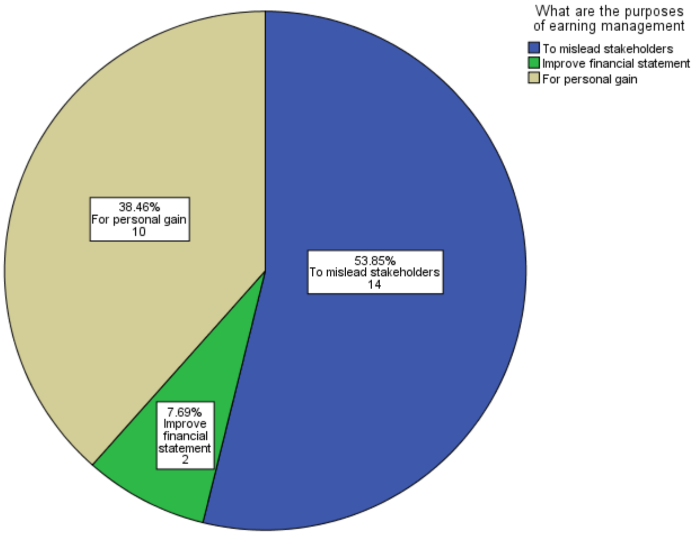

Figure 2. Purpose of earning management
Sources: obtained from primary data

According to figure 2, 53.9% of the respondents responded that the purpose of earning management is to mislead stakeholders (creditors, the government, shareholders, etc.), 38.5% agreed that the purpose is for personal gain, and only 7.7% responded that it is to improve financial statements. Therefore, earning purposes are to mislead stakeholders and for personal gain.

Parties affected by earning management

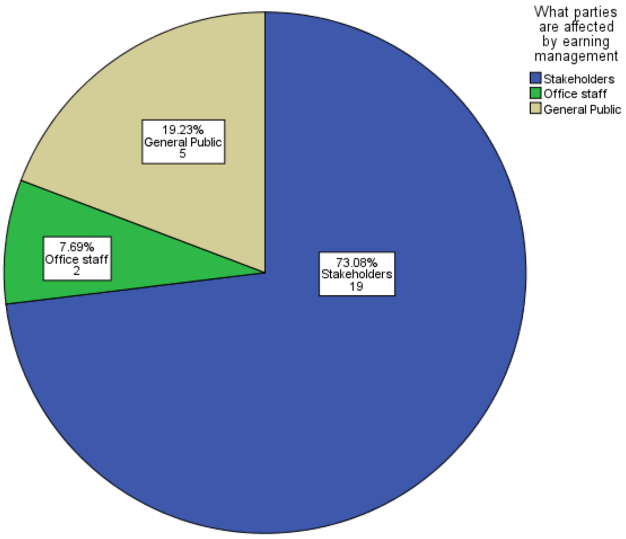

Figure 3. Parties affected by earning management
Sources: obtained from primary data

Figure 3 above indicates that 73.0% of stakeholders (shareholders, creditors, the government, etc.) are significantly affected by earnings management fraud. 19% of the respondents only responded about the effects on the general public, whereas it has little or no effect on the office staff; hence, only 7.69% responded. Therefore, stakeholders are highly affected by earnings management.

5. DISCUSSION

From the results above, it is clear that the methods of controlling earnings management are by introducing proper auditing procedures followed by internal control measures. With 61.5% of the respondents accounting for proper audit measures and 38.6% for internal control measures, this clearly shows that earning management fraud can be minimized by audit measures and internal control. The findings of this investigation are consistent with previous research conducted by (Cho & Chung, 2022) which demonstrates that top-notch auditing firms are more likely to identify dubious accounting practices by managers and more effectively validate their audit reports. According to research by Cho & Chung, (2022), there is a strong correlation between the size of the auditors and the quality of the audit, with managers acting opportunistically as a result of poor audit quality. Another study shows that businesses with poor auditors have more control over their income and commit earnings management fraud. It is anticipated by Iriyadi, (2019) that improving the role of the audit committee and an external auditor will greatly increase the capacity to monitor management operations.

The result of the purpose of earning management indicates that earning management's purpose is to mislead stakeholders. Hence, 53.9% of the respondents supported this motion. Eventually, through empirical research, other researchers came to the same conclusion that managers will alter the actual activity to further their objectives in order to mislead stakeholders (Gao & Gao, 2016). In another study by Wang et al., (2018) The economic activities of a firm are what its managers employ to deceive or mislead information users and gradually deviate from standard business practices. Additionally, it is established that the purpose of earnings management is to achieve specific objectives by changing relevant accounting procedures in accordance with generally accepted accounting principles in order to have the financial reports' results satisfy predetermined objectives and deceive shareholders (Rahman & Sharif, 2013). Hence, the goal of earning is to deceive stakeholders and further one's own interests.

From the outcome of parties affected by earning management, it indicates that 73.0% of the interviewee stated that stakeholders (shareholders, creditors, government, etc.) are highly affected and staff members are less affected. Research conducted by Yorke et al., (2016), states that profit management has a substantial impact on the interests of shareholders in particular and the company in general. Another research conducted by Bukit & Nasution, (2015) also proved that shareholders, employees, communities where businesses operate, society at large, as well as the reputations, job security, and careers of managers are all negatively impacted by deliberate managerial activities intended to conceal the true value of a firm's assets, transactions, or financial condition.

6. CONCLUSION

At this stage of the research I derive the conclusion from the findings that I found, and propose future research.This research result shows that earning management fraud can be minimized or controlled through proper auditing procedures and internal control measures. Equally the result (Iriyadi, 2019) proved that improving the role of the audit committee and an external auditor will greatly increase the capacity to monitor management operations. As a result, proper monitoring of will management activities can help to reduce earning management fraud by management. According to the findings, the goal of earning management is to mislead stakeholders or users of financial information. Managers have a specific objective: manipulate financial statements to deceive shareholders and gain personal interest. They normally practice earning management through the following: sales manipulation, overproduction, and reduction of discretionary expenditure. Moreover, earning management has substantial negative effects on stakeholders and staff in the organization. Shareholders' interests as well as the company in general are negatively affected by earnings management.

The following are some recommendations made in light of the research findings and discussion: To improve results, it was suggested that future research be done in the area of methods of controlling earnings management. Since the knowledge of technology is so limited in Africa, and Sierra Leone is no exception, upcoming researchers should be careful when using questionnaires through Google Forms. Finally, shareholders should monitor the actions of management and managers to reduce the effects of earning management by such managers.

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