

عنوان مقاله:

The Impact of Corporate Governance on Earnings Management in Palestine: The Moderating Effects of Political Instability

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خلاصه مقاله:

The purpose of this paper is to investigate the role of political instability in the context of the association between board of directors (BOD) and audit committee (AC) quality as indicators of corporate governance effectiveness and earnings management (EM). The non-financial listed companies on the Palestine Exchange (PEX) between the period from ۲۰۱۱ to ۲۰۱۸ were the samples of the study. Based on the OLS regression results by using a panel data of ۲۳۲ observations, the findings show that the BOD quality is positively related to EM, while AC quality is negatively associated with EM. The results also reveal that political instability plays a moderating role by weakening the relationship between the AC quality and EM during the severe unstable political situation, while the BOD quality is negatively associated with EM under the same situation. This finding implies that the BODs might substitute ACs under severe political instabilities to protect the stockholders and stakeholders' interests. Unlike most previous studies, this article addresses political instability as a moderating variable for the relationship between the BOD and AC quality as a composite measure of EM in the most emerging and smallest stock market in the region. The results of this work may assist the regulatory bodies, policymakers, and practitioners in revising the corporate governance code to promote the efficiency of the BOD and AC monitoring functions for the purpose to improve the faithfulness and reliability of financial reports and also to deter the management from engaging in critical levels of EM.

کلمات کلیدی:

Corporate governance, political instability, Earnings management, Board of directors, Audit committee, Palestine

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