The role of corporate governance in reducing the negative effect of earnings management in listed companies in Tehran Stock Exchange

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Corporate governance is a set of policies, methods and procedures that are developed and implemented for the benefit of the stakeholders of the company. It aims to increase confidence of the company`s activities and management policies in line with the interests of shareholders in particular and in general, all stakeholders. Therefore, it can be expected that corporate governance mechanisms could control opportunistic behavior of managers in order to maximize their wealth and prevent damage to the shareholder. The present study is performed to consider if corporate governance reduces the negative effects of earnings management in companies listed on the Tehran Stock Exchange or mot? In order to achieve the above-mentioned goal, a hypotheses is introduced that can be tested in two ways. In the first method, the advantage corporate governance is based on the proportion of non-duty members, and in the second method it is evaluated based on the average of income sources. Using modified Jones model, in this study, accruals are used as an indicator to determine the earnings management in companies. For this purpose, 109 companies have been employed during the years 2009 to 2013. The findings show that considering the ratio of non-duty members as one of the mechanisms of corporate governance, negative effects of earnings management can be reduced. So, in the first method, the hypothesis not accepted, and in the second method it is accepted

Keywords : corporate governance, earnings management, Ratio of non- duty members

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