

Earnings Management Practices: The Certified Accountant's Perspective.

Práticas de Earnings Management: A Perspetiva dos Contabilistas Certificados.

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ABSTRACT

This study aims to analyze the legality and the development of the Earnings Management Practices (EMP), from the perspective of certified accountants. EMP occurs as a result of inaccuracy in accounting standards. Earnings management when intentional distorts accounting and financial information, manipulate stakeholder's behavior and influencing the decision-making process. Thus, companies are expected to use EMP to mirror the desired image rather than the real image.

We have used a quantitative methodological approach with a survey questionnaire, conducting an empirical study based on a sample of certified accountants. The results show that majority of the certified accountants consider that (1) earnings management is legal because it is developed within the scope of accounting standards, (2) except for age and gender, work experience, education and training influences the perception of the legality of EMP and (3) earnings management is developed in companies and the most common practices are the ones related to the depreciation/amortization of assets. This study stresses the understanding of certified accountants' legal perception about EMP's legality, allowing the improvement of the accounting standards, in order to fight not only tax evasion but also tax avoidance. This is a pioneer study combining certified accountants' individual characteristics and EMP, therefore, crucial for the entities' accounting standardization.

Keywords: Earnings management practices, certified accountants, accounting standards.

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1. Introduction

The financial statements aim to provide useful information for decision making (Ababneh & Aga, 2019; Gowthorpe & Amat, 2005). However, different angles of interpretation arise regarding the accounting treatment of transactions and the preparation of the financial statements. The flexibility and gaps in the Accounting Standardization System provide some degree of freedom for the preparer of accounting and financial information, which may lead to the development of earnings management (Khatri, 2015; Parada & Sanhueza, 2009. Duarte & Ribeiro, 2007). In addition, business internationalization, market globalization, increased competition, the influence of the business environment (e.g., unfavorable periods or contexts where there is greater pressure on business results), together with increased emphasis on accounting information, increased accounting innovation and the application of EMP (Momani & Obeidat, 2013; Jones, 2011; Balaciu & Mădălina, 2008) regardless of economic context, industry or corporate structure (Sen & Inanga, 2005).

The use of accounting practices aimed at presenting a company's economic and financial situation more favorably or achieving a desired position or direction is called earnings management (Khatri, 2015). Shahid and Ali (2016, p. 76) defined earnings management as "a process of decorating business financial reports in a lucrative way by getting benefit from minor flexibility in accounting standards to make investors mouth watered". For Gadea and Gaston (1999) and Khatri (2015), earnings management consists of taking advantage of the flexibility, gaps and different options offered by accounting regulation to reflect the desired image. These changes may improve or aggravate the company's financial situation according to the purpose of the person responsible or the preparer of the financial statements (Parada & Sanhueza, 2009). In fact, earnings management can have a negative impact on the quality and credibility of financial statements (Hadani, Goranova & Khan, 2011) and, consequently, lead to misallocation of resources (Balaciu, Bogdan, Meşter & Gherai, 2012).

Earnings management is often referred to as a resource or a cause, that is, it is either an environment where one looks for the most variable solutions to circumvent unfavorable

periods or is an environment responsible for all negative developments over time (Balaciu & Vladu, 2010). EMP reduce the expected benefits of accounting and financial information and turn useful information into useless information for users' decisions. That is, earnings management tends to destroy the reliability of accounting and financial information in an insidious way, which can influence economic decisions and compromise efficient resource allocation.

According to Shahid and Ali (2016) and Bashin (2016), the EMP can be a dangerous tool and there are doubts whether the practice is legal or illegal. In this sense, this study analyzes, among the Portuguese certified accountants, the legitimacy of earnings management and its main practices.

The results of this investigation will help to account standardization entities to introduce improvements in accounting standards in order to promote the preparation of reliable and useful information for decision making, as well as to fight not only tax evasion but also tax avoidance.

2. Literature review and research hypotheses

2.1. Corporate crisis

Accounting reports and disclosures provide shareholders reliable information to allow informed investment decisions and true valuation of companies? According to Akpanuko and Umoren (2017, p. 292), "the recent failures of economic enterprises have raised a number of credibility questions about Accounting as a System of authentication and the reliability of its report in reaching optimal management and investment decisions". This is an issue that has driven several research in the area of earnings management.

Earnings management corresponds to actions taken by management under accounting regulations, allowing companies to report results inaccurately (Khatri, 2015; Yadav, 2014; Ewert & Wagenhofer, 2012; Metcalf, 1977). For Yadav (2014), earnings management is related to the application of accounting practices, but these certainly deviate from the objectivity of accounting regulation and the primary purpose of accounting. According to Bereskin, Hsu and Rotenberg (2018, p. 529) earnings management "refers to managerial

decisions that affect corporate operations with the goal of presenting favorable financial results”.

Literature, according to Al-Haddad and Whittington (2019), suggests two categories related to earnings management: Accruals-based Earnings Management (AEM) and Real Earnings Management (REM). Halabi, Alshehabi and Zakaria (2019) designate AEM and REM of earnings management methods. While the former relates to accounting practices, the latter to the company's operating practices. Earnings Management related to accounting practices is also called creative accounting.

In Accounting, the definition of earnings management is extremely difficult (Santos & Grateron, 2003). Despite their multiple definitions (Knežević, Mizdraković & Arežina, 2012; Vladu & Matis, 2010) it is impossible to achieve consensus (Santos & Grateron, 2003), as for some authors it may be a “strategy to follow to mitigate difficulties” (Duarte & Ribeiro, 2007, p. 30) and for others, it can be “synonymous with accounting gimmicks or accounting manipulations (...) that can be considered true fraud” (Silva & Cravo 2009, p. 25).

There are several terms to describe changes in accounting facts, such as cooking the books, window dressing, accounting manipulation, aggressive accounting, income smoothing (Yadav, 2014; Jones, 2011; Mulford & Comiskey, 2002).

Different terms take different forms and depend on different strategies to create the desired impression (Mulford & Comiskey, 2002): (1) Aggressive accounting is an effective and intentional choice in applying accounting standards and principles, (2) Earnings management is manipulation, (3) Income smoothing or profit smoothing consists of removing fluctuations from a normal series of profits, and (4) Big bath accounting instead of showing losses over time, the amount recognized in the current year is recognized. total expenses/losses. Earnings management represents all practices used to distort accounting and financial information.

On the other hand, it is generally possible to unanimously identify the essence of earnings management. This is an intentional and systematic practice of procedures of certain accounting elements that generally target more favorable business situations (Duarte &

Ribeiro, 2007). In the literature, there are two perspectives associated with earnings management, positive and negative. The positive outlook implies the choice of accounting principles and practices to accommodate changes in the economic, social, political and business environment, adding accounting value or improving the accounting system (Vladu & Matis, 2010; Sen & Inanga, 2005). The negative perspective involves unorthodox accounting practices as unethical elements to attract capital and influence the perception of users of accounting and financial information (Vladu & Matis, 2010; Sen & Inanga, 2005).

Thus, when manipulation practices are EMP that fall within the legal boundaries of accounting regulation, they are referred to as earnings management, otherwise fraud (Stolowy & Breton, 2004). In this sense, earnings management lies in a zone between correct and ethical practices and illegality or fraud, and it is difficult to draw the boundary where ethics ends and creativity begins and where creativity ends and fraud begins (Gadea & Gaston, 1999). According to Stolowy and Breton (2004), accounting fraud occurs when an individual performs an illegal task, such as preparing false invoices, falsifying or altering documents, excluding certain transactions from accounting records, hiding significant information, among others. For Spathis, Doumpos and Zopounidis (2002) and Jones (2011) accounting fraud violates the rules and laws in order to manipulate financial statements, highlighting an artificial situation that can cause serious problems for users of accounting and financial information. Moreover, according to Jones (2011), fraud also causes financial losses and propagates accounting inconsistencies for possible financial scandals. This is why it is sometimes difficult to distinguish creative from fraud accounting because it all comes down to interpreting the fundamental assumptions that underpin accounting (Shahid & Ali, 2016; Jones, 2011). In this context, we intend to test the following research hypothesis:

H1. The certified accountant understands that EMP are legal.

People are different from each other and personality traits (related to the way of being, thinking, acting, among others) influence the choices/perceptions of professionals in any professional area (Fari & Nogueira, 2007). Berry, Ones and Sackett (2007) verified that personality traits were associated with multiple organizational behaviors. Cepêda and Monteiro (2020) found that managers' individual characteristics influence their perceptions

(academic qualifications, higher education and management skills) about financial statements usefulness. Previous empirical evidence also shows that women have more ethical conduct than men in their perception of ethical business (Bernardi & Arnold, 1997; Bernardi, 1994). Regarding ethical decision-making, Keller, Smith and Smith's (2007) findings suggest that there are significant differences in individual ethical standards based on gender, educational level (graduate versus undergraduate), religiosity, and work experience. Francis, Hasan, Park and Wu (2015, p. 1285) conclude that "corporate decisions made by female executives are significantly different from those made by male executives". Recently, Montenegro and Rodrigues (2020), verified that gender, age, education, accounting ethics education, and experience are significant predictors of accountants' towards earnings management. According to Triki, Cook and Bay (2015) and Francis, Hasan, Park and Wu (2015), understanding the individual traits of certified accountants is important when these characteristics can influence professional behavior in matters related to earnings management. Keller, Smith and Smith (2007, p. 299) state that "understanding the factors which shape the ethical standards of future accountants will help educational institutions develop appropriate ethics curriculum and help firms develop appropriate ethics training for their employees". Thus, it is explored whether the individual characteristics of certified accountants influence their perception of AEM, specifically whether the individual characteristics influence the perception of certified accountants regarding the legality or illegality of EMP. In this context the following hypothesis is formulated:

H2. Individual characteristics of the certified accountant influence their perception of the legality of the EMP.

Earnings management can affect the value of various financial statement headings, mainly those of the balance sheet and income statement, but it can also affect the evaluation and/or disclosure of accounting and financial information (Stolowy & Breton, 2004). EMP thus gives rise to variations in income by increasing or reducing expenses or income, and also provide variations in assets, liabilities, and equity (Amat, Blake & Gutiérrez, 1996). Accordingly, these practices affect the values of the financial statements and are performed primarily to influence stakeholders' perceptions of the company's financial position and

financial performance, with impacts on corporate performance by modifying the financial statement values (Salome, Ifeanyi, Ezemoyih & Echezonachi, 2012). EMP can have a positive effect on a company's business in the short run, but in the long term, it may result in reduced stock prices, insolvency and even bankruptcy (Remenarić, Kenfelja & Mijoč, 2018). The recent financial scandals in Portugal leads to the need to study EMP (Montenegro & Rodrigues, 2020). Given the above, we intend to analyze the following hypotheses:

H3. Companies develop EMP.

Portugal is framed, at a legal level, in the Continental-European accounting system (Fontes, Rodrigues & Craig, 2005; La Porta Lopez-de-Silanes, Shleifer & Vishny, 1998). The legal system is based on Roman law, where there is a strong relationship between accounting and taxation (Moreira, 2006). In addition, the representativeness of the capital market in the national economy is very weak (Fontes, Rodrigues, & Craig, 2005). In fact, the Portuguese business fabric is, in essence, made up of micro and small and medium-sized enterprises (SMEs). Portugal is "a very small 'code law' country" (Moreira, 2006, p.7). These companies are usually run by the entrepreneurs themselves, this means that there is no segregation of functions between the owner and the manager, leaving aside the agency problems (Paterson, 2016; Xie, Davidson & DaDalt, 2013; Moreira, 2006). Its main source of financing is financial institutions, given the small size of the Portuguese capital market and the two main users of financial information are, normally, the Tax Authority and financial institutions. In addition, the accounting systems are legally regulated and aligned with the tax system (Moreira, 2006). Thus, managers/owners, often adopt, in accounting practice, tax criteria to the detriment of accounting criteria. In this sense, the motivations associated with the EMP are divided between minimizing the tax burden and maximizing the negotiating power with credit institutions.

According to Amat, Blake and Gutiérrez (1996), the main practices associated with earnings management are developed in the following areas: increase or decrease in expenses; increase or decrease in income; increase or decrease in assets; increase or decrease in equity; increase or decrease in liabilities; reclassification of assets and liabilities. In this way, EMP affects financial statement values and is carried out,

essentially, with the objective of influencing the perception of stakeholders regarding the company's financial position and financial performance (Serrano-Cinca, Gutiérrez-Nieto & Bernate-Valbuena, 2019; Stolowy & Breton, 2004).

Tassadaq and Malik (2015) and Bhasin (2016), verify that one of the main EMP is related to "depreciation policy changing". In Portugal, both accounting and tax criteria allow the adoption of various policies or methods of depreciation/amortization of assets, which can enhance the development of EMP. Thus, in this study the last hypothesis is formulated:

H4. Increasing/decreasing depreciation/amortization is the main EMP used.

3. Methodology

Systematic and complete data collection plays a crucial role in all studies. However, factors such as the characteristics of the target population, the resources available and the subject of sensitivity determine the data collection method (Van Gelder, Bretveld & Roeleveld, 2010). In this context, the questionnaire survey is the most appropriate data collection method for this investigation. In this context, a quantitative approach is chosen. This is characterized by employing quantification, both in the modalities of collecting information and in the processing of it through statistical techniques, from the simplest to the most complex (Richardson, 1989). Bogdan and Biklen (1994) add that this approach emphasizes description and induction and personal perceptions.

The questionnaire is in two groups. The first includes questions about the respondent's demographics (gender, age, experience, etc.). The second group includes questions that allow us to answer the research hypotheses formulated in this research (Appendix). Specifically, this group includes two questions that aim to assess whether accountants perceive the earnings management as a legal practice (Jones, 2011) and whether companies develop practices aimed at achieving a particular outcome, and a question that aims to identify practices associated with this topic, where there is a list of practices pointed out by different authors (Amat, Perramon, & Oliveras, 2003; Tabără & Rusu, 2011; Popescu & Ashrafzadeh, 2013). This is made up of closed questions and measured on a 5-point Likert scale. This is a simple method of assigning scores to a set of response hypotheses, not

involving value judgments (Likert, 1932). In addition, it is one of the best known psychometric response scales and commonly used in questionnaires.

Also, it was prepared online using Google forms digital platform. The measuring instrument was submitted to a pre-test, which allowed to solve problems, identify omissions, verify ambiguities and subjectivities and evaluate the quality of the obtained results.

The target population of this study is certified accountants, as they are responsible for recognizing and measuring accounting transactions, as well as preparing and disclosing financial statements (Gonçalves, Santos, Rodrigo & Fernandes, 2013). In the application of the survey, we had the collaboration of the Portuguese Association of Certified Accountants, who made it available on its official website.

The sample consists of all accountants' certificates duly completing and submitting the questionnaire survey from 2 to 23 October 2017. 171 responses were obtained, but 12 were eliminated because respondents did not practice certified accountants (10) and 2 were incomplete. Thus, in the data analysis 159 valid answers were considered. As such, it is a convenience sample and not a probabilistic sample, but considered valid in previous studies (Cepêda & Monteiro, 2020; Montenegro & Rodrigues, 2020; Tassadaq & Malaik, 2015). For data analysis, we used the Statistical Package for the Social Sciences (SPSS), version 24 for Windows.

Statistical analysis of the data involves the use of association tests and inference tests (Martins, 2011). Spearman's correlation test is used to analyze the correlation between two ordinal variables. Regarding the inference test, given the absence of data normality, we use: the Mann Whitney U test (non-parametric test), which verifies whether the average orders of two independent groups at the level of a dependent variable differ, applies when the independent variable consists of two groups, like gender, and the dependent variable is ordinal (EMP's legitimacy); the Kruskal-Wallis Test, which checks if there are differences between the three or more independent groups (training area) at the level of the ordinal dependent variable (EMP's legitimacy). Descriptive statistics are used to find out the percentages and frequencies of respondents.

4. Results

4.1. Sample's characterization

Regarding professional experience, most certified accountants are male (53%), have worked for over 5 years (85%), are over 30 years old (84%), the predominant range being 30 to 40 years old (60%), holds a degree or higher education (100%) in accounting (81%), management (9%), audit (7%), finance (7%), and economics (3%). Most certified accountants (84%) exercise the profession for more than 5 years.

4.2. Data analysis

The development of earnings management is a problem that can be considered in some cases as extremely serious as it can distort accounting and financial information and compromise the decision-making process. However, in literature, there are doubts about whether the practice is legal or illegal (Shahid & Ali, 2016; Bashin, 2016).

Regarding H1, the certified accountants considered that earnings management in the Portuguese economic context is considered legal (94%), supporting this one hypothesis. On the other hand, 3% of respondents state that they disagree or totally disagree (Table 1).

Table 1 – Earnings management's legitimacy

	Percentage	Accumulated Percentage
Strongly disagree	2%	-
I disagree	1%	3%
Neither disagree nor agree	3%	6%
I agree	20%	26%
I totally agree	74%	100%

Source: Own elaboration (2020).

Similarly, in Greece earnings management is considered legal in the opinion of accountants and auditors (Baralexis, 2004). However, in Pakistan, there is still no agreement on the legality or illegality of earnings management (Tassadaq & Malik, 2015). In turn, Jones (2011) concludes that earnings management is legal in the UK and illegal in the US. Thus, although earnings management is considered a legal practice in many economic contexts, it

causes uncertainty and is considered a negative influence on accounting as social science (Shah, 1998). This study also aims to analyze the impact of the individual characteristics of the certified accountant on the perception of the legality of EMP.

The Spearman correlation test shows a statistically significant relationship between the variables professional experience of the certified accountant and EMP's legitimacy, for a significance level of 5%. The correlation is positive ($r_s=0.192$; $p<0.01$) however, it is considered weak (Table 2). This means that certified accountants with more professional experience indicate that EMP are developed within legal standards.

Table 2 – Correlation between the experience of certified accountants and EMP's legitimacy

			EMP's legitimacy	Professional experience
Spearman's rho	EMP's legitimacy	Correlation coefficient	1.000	.192*
		Sig.	.	.015
	N. Observations	159	159	
	Professional experience	Correlation coefficient	.192*	1.000
Sig.		.015	.	
	N. Observations	159	159	

Note: *Significant correlation at 5%.

Source: Own elaboration (2020).

Table 3 - Correlation between educational qualifications of the certified accountants and the EMP's legitimacy

			EMP's legitimacy	Educational qualifications
Spearman's rho	EMP's legitimacy	Correlation coefficient	1.000	-.229*
		Sig.	.	.004
	N. observations	159	159	
	Educational qualifications	Correlation coefficient	-.229**	1.000
Sig.		.004	.	
	N. observations	159	159	

Note: *Significant correlation at 1%.

Source: Own elaboration (2020).

In the relationship between the certified accountant's educational qualifications and the EMP's legitimacy variables, the Spearman's test, at a significance level of 5%, indicates that there is a statistically significant correlation, however, this correlation is negative ($r_s=-0.229$; $p<0.01$) (Table 3). Accordingly, certified accountants with lower educational qualifications consider EMP to be legal.

The Mann Whitney U test applied to the certified accountant's gender and EMP's legitimacy variables, at a significance level of 5%, shows the absence of statistically significant differences in the perception of EMP's legitimacy considering the certified accountant's gender ($U=3.052$, $p=0.671$) (Table 4).

Table 4 - Variation in the EMP's legitimacy by gender of the certified accountant

	Gender	N. observations	Average position	Sum of Ratings
EMP's legitimacy	Female	74	81.26	6013.00
	Male	85	78.91	6707.00
	Total	160		
Test statistics ^a				
EMP's legitimacy				
Mann-Whitney U			3.052.00	
Wilcoxon W			6.707.00	
Z			-.424	
Sig.			.671	

a. Grouping variable: gender of the certified accountant
Source: Own elaboration (2020).

The Spearman's test indicates that there is no statistically significant correlation between the certified accountant's age and the legitimacy of the EMP variables ($p>0.05$) (Table 5).

Table 5 - Correlation between certified accountants' age and the EMP's legitimacy

			Age	EMP's legitimacy
Spearman's rho	Age	Correlation coefficient	1.000	.127
		Sig.	.	.110
		N. observations	159	159
	EMP's legitimacy	Correlation coefficient	.127	1.000
Sig.		.110	.	
N. observations		159	159	

Source: Own elaboration (2020).

Kruskal-Wallis test is used to analyze whether there are differences on the training area on EMP's legitimacy. There are significant differences in terms of EMP's legitimacy regarding the certified accountants' training area ($p<0.01$) (Table 6). Notably, certified accountants with training in the areas of accounting, finance and auditing are those who most agree with the statement that accounting is legal.

Table 6 - Variation in EMP's legitimacy perception according to the certified accountants' training area

Kruskal-Wallis test			
Training area		N	Mean Position
EMP's legitimacy	Accounting	118	85.88
	Management	14	52.68
	Finance	11	79.41
	Auditing	11	65.68
	Economics	5	50.60
	Total	159	
Test statistics ^{a,b}			
Training area – EMP's legitimacy			
Chi-square	17.387		
df	4		
Sig.	0.002		

a. Kruskal Wallis' test; b. Grouping Variable: Training area.

Source: Own elaboration (2020).

As for H3, EMP are increasingly being developed by companies around the world (Smith 1992). Regarding the presence of EMP in Portuguese companies, 96% of certified accountants agree or totally agree with this statement. On the other hand, only 4% of respondents neither disagree nor agree (Table 7). Therefore, it can be concluded that Portuguese companies use EMP, similarly to London (Smith, 1992; Amat, Blake & Gutiérrez, 1996), Spanish (Amat, Blake & Gutiérrez, 1996), American (Healy, 1985), among others (H3 supported). EMP occurs most often in particular business structures and economic sectors. According to the results, they occur most often in micro and small companies (71%) and large unlisted companies (16%) (Table 7). In Chile, earnings management is mostly used by small and listed companies (Parada & Sanhueza, 2009). In Spain, Argentina, Brazil, Colombia, USA, and Venezuela, they occur more frequently in listed companies (Amat, Blake, & Gutiérrez, 1996; Guevara & Cosenza, 2004). Concerning the economic sector, it occurs most often in the tertiary (79%) and secondary (20%) sectors, which means that the use of EMP by primary sector companies is low (Table 7). In Chile, earnings management is often found in service companies and also in companies related to the processing of raw materials (Parada & Sanhueza, 2009).

Table 7- Companies that develop EMP (dimension and sector)

Do Portuguese companies use EMP?	Percentage	Accumulated Percentage
Strongly disagree	-	-
I disagree	-	-
Neither disagree nor agree	4%	4%
I agree	65%	69%
I totally agree	31%	100%
In what business structures?		
Micro and Small Business	71.1%	71.1%
Medium Business	8.1%	79.2%
Large non-listed companies	16.4%	95.6%
Large listed companies	4.4%	100%
In which economic sector?		
Primary	1.3%	1.3%
Secondary	19.5%	20.8%
Tertiary	79.2%	100%

Source: Own elaboration (2020).

The scope for developing EMP generally occurs in financial statements, specifically, the balance sheet and income statement (Stolowy & Breton, 2004). Since Portuguese companies use EMP, it can be concluded that most Portuguese companies use various creative practices and often. The most commonly used EMP is increasing or decreasing depreciation/amortization expenses (54.10%). Table 8 shows the major EMP in Portugal

Table 8 – Major EMP in Portugal

EMP	1	2	3	4	5	6	Total Observations
Increase or decrease depreciation/amortization expenses.	1	4	66	77	9	2	159
	0.6%	2.5%	41.5%	48.4%	5.7%	1.3%	100.0%
Modify elements in depreciation/amortization policies: the method, the useful life, and the residual value.	1	7	66	76	8	1	159
	0.6%	4.4%	41.5%	47.8%	5.0%	0.6%	100.0%
Whether or not to include certain expenses in the cost of production or the cost of acquisition of assets.	1	4	73	75	5	1	159
	0.6%	2.5%	45.9%	47.2%	3.1 %	0.6%	100.0%
Select the assets or asset class to include in the revaluation/revaluation process.	1	4	77	69	7	1	159
	0.6%	2.5%	48.4%	43.4%	4.4%	0.6%	100.0%
Capitalize on the cost of assets research and development expenses without certainty that the asset will provide future economic benefits.	1	9	70	72	6	1	159
	0.6%	5.7%	44.0%	45.3%	3.8%	0.6%	100.0%

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Accounting for income/expenses of subsidiaries that are excluded from the consolidation area.	1	6	80	62	9	1	159
	0.6%	3.8%	50.3%	39.0%	5.7%	0.6%	100.0%
Change the valuation criteria of inventories.	1	4	75	72	6	1	159
	0.6%	2.5%	47.3%	45.0%	3.8%	0.6%	100.0%
Anticipate/postpone, increase/reduce expenses/losses with provisions.	0	5	72	75	7	1	159
	0.0%	3.1%	45.0%	46.9%	4.4%	0.6%	100.0%
Anticipate income recognition or postpone expense/loss recognition.	0	5	69	75	9	1	159
	0.0%	3.1%	43.4%	47.2%	5.7%	0.6%	100.0%
Postpone income recognition and anticipate expense recognition.	0	5	70	76	7	1	160
	0.0%	3.1%	44.0%	47.8%	4.4%	0.6%	100.0%
Carry out operations aimed at changing the amount of income/expenses between accounting periods (for example, disposal of an asset and acquisition, immediately thereafter, of an identical asset in finance or operating lease).	1	6	79	65	7	1	159
	0.6%	3.8%	49.7%	40.9%	4.4%	0.6%	100.0%
Offset assets with liabilities and income with expenses/losses.	2	5	70	70	11	1	159
	1.3%	3.1%	44.0%	44.0%	6.9%	0.6%	100.0%
Perform intragroup transactions using prices different from those practiced in the market.	1	10	74	67	6	1	159
	0.6%	6.3%	46.5%	42.1%	3.8%	0.6%	100.0%
Preference in issuing convertible bonds (as they may be recognized in equity and liabilities).	1	9	79	68	1	1	159
	0.6%	5.7%	49.7%	42.8%	0.6%	0.6%	100.0%
The omission of information in the financial statements.	1	7	69	72	9	1	159
	0.6%	4.4%	43.4%	45.3%	5.7%	0.6%	100.0%
Timed transactions (transactions that provide a level of income/expense for a given period of time).	1	7	78	69	3	1	159
	0.6%	4.4%	49.1%	43.4%	1.9%	0.6%	100.0%
Postpone / Anticipate the recognition of impairment losses or book the asset at or above market value.	1	5	76	70	6	1	159
	0.6%	3.1%	47.8%	44.0%	3.8%	0.6%	100.0%
Depreciate goodwill according to the desired impact on results but within the maximum number of years allowed by current legislation.	0	7	74	70	7	1	159
	0.0%	4.4%	46.5%	44.0%	4.4%	0.6%	100.0%

Key: 1 - Never; 2- Rarely; 3- Uncommon; 4 - Often; 5 - Always; 6 - Not applicable.

Source: Own elaboration (2020).

These practices are adopted with some frequency in the Portuguese context, this result goes against the studies developed in Chile, Romania, Serbia, and Nigeria (Parada & Sanhueza, 2009; Vladu & Grosanu, 2011; Knežević, Mizdraković & Arežina, 2012; Salome Ifeanyi, Ezemoyih & Echezonachi, 2012). Regarding EMP, in Pakistan and India commonly used practices are related to asset depreciation/amortization, balance sheet and income statement (Tassadaq & Malik 2015; Bhasin, 2016). In Romania, they relate to depreciation/amortization of assets, provisions, leasing contracts, deferral of results, research and development costs, inventory valuation and goodwill (Vladu & Grosanu, 2011). In Chile, they are related to asset depreciation/amortization and transactions between companies of the same group (Parada & Sanhueza, 2009). In order to complement the study, the certified accountants are questioned as to the existence of practices other than those identified. The only answer to this was that EMP depends on business needs.

5. Discussion and conclusions

In accounting there are several ambiguities, as there are some options for accounting for the same equity fact, sometimes due to the subjectivity and flexibility of certain accounting operations (Silva and Santos, 2016). But, in turn, the application of accounting practices that do not reflect the economic reality of the company, i.e., that are in disagreement with the transparency required by accounting regulation, can be understood as creative accounting or practice related to earnings management. Thus, these are practices that consist of preparing the financial statements considering the different options, subjectivity, and voids in the accounting standard, transforming the real image of the company into its desired image (Gadea & Gaston, 1999; Khatri, 2015).

This study aims to assess whether EMP, in the opinion of certified accountants, is legal and if the perception about legality varies depending on the individual characteristics of the respondent. Additionally, the study aims to assess if AEM is practiced by Portuguese companies and to identify if the main EMP are associated with the recognition of depreciation and amortization expenses.

From a sample of 160 certified accountants, it can be concluded that most respondents understand that (1) EMP occurs in the existing flexibility, subjectivity, and voids of the accounting standard and is therefore considered legal. This result is in agreement with those obtained by Jones (2011) (United Kingdom) and Salome Ifeanyi, Ezemoyih and Echezonachi (2012) (Nigeria), (2) the perception about the legality of EMP varies according to the experience, educational qualifications and area of training of the certified accountant, not the same for age and gender, (3) Portuguese companies develop EMP, as do American (Healy, 1985), English (Smith, 1992), and Spanish (Amat, Blake & Gutiérrez, 1996) companies, and (4) the most common practices are to increase or decrease depreciation/amortization expenses.

This study will contribute to the development of the literature, given the small number of studies in this area, mainly in Portugal. Research is also crucial for entities working in accounting standardization, as based on results they can develop improvements in accounting standards. Besides, it is essential to instill knowledge among users of accounting information about the various EMP implemented in the financial statements of Portuguese companies. Finally, the study proves to be essential in that it can alert the technicians and managers who, respectively, elaborate and are responsible for the EMP's financial statements to the impact of a creative act that does not represent the true and appropriate image of the company.

In this study, we opted for a convenience sample, not probabilistic, which does not allow generalizing the results to the population. Future research can look at who are the main players and the main disadvantages of EMP. It will also be examined whether the individual characteristics of the certified accountant have an impact on their perception of the ease of developing EMP and the need to mitigate these accounting practices.

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