

# Accepted Manuscript

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PII: S1059-0560(17)30962-0

DOI: [10.1016/j.iref.2017.12.015](https://doi.org/10.1016/j.iref.2017.12.015)

Reference: REVECO 1556

To appear in: *International Review of Economics and Finance*

Received Date: 8 April 2016

Revised Date: 5 December 2017

Accepted Date: 29 December 2017

Please cite this article as: Chang C.-H. & Lin H.-W.W., Does there prevail momentum in earnings management for seasoned equity offering firms?, *International Review of Economics and Finance* (2018), doi: 10.1016/j.iref.2017.12.015.

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## Does there Prevail Momentum in Earnings Management for Seasoned Equity Offering Firms?

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### *Abstract*

This study investigates the relationship between current and past period earnings manipulations for multiple seasoned equity offering (SEO) firms. These firms' discretionary accounting accruals (DAs) increase with the extent of cumulative prior DAs accompanying prior equity offers, consistent with the notion that prior earnings manipulators' continually inflate the earnings around SEOs. The prior manipulators appear to both engage in real activities as well as use accounting accruals to alter reported earnings. Nevertheless, the portfolio with the greatest allegedly cumulative manipulation and current income-increasing DAs in the issuance year generates significantly deteriorating post-issue stock returns.

**JEL classification:** G14; G32; M41

**Keywords:** Discretionary Accruals; Earnings Management; Real Earnings Management; Seasoned Equity Offerings; Sequential Stock Offerings

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