

# Earnings management, audit adjustments, and the financing of corporate acquisitions: Evidence from China

Clive Lennox , Zi-Tian Wang , Xi Wu

PII: S0165-4101(17)30079-4  
DOI: [10.1016/j.jacceco.2017.11.011](https://doi.org/10.1016/j.jacceco.2017.11.011)  
Reference: JAE 1173



To appear in: *Journal of Accounting and Economics*

Received date: 26 November 2016  
Revised date: 26 May 2017  
Accepted date: 16 November 2017

Please cite this article as: Clive Lennox , Zi-Tian Wang , Xi Wu , Earnings management, audit adjustments, and the financing of corporate acquisitions: Evidence from China, *Journal of Accounting and Economics* (2017), doi: [10.1016/j.jacceco.2017.11.011](https://doi.org/10.1016/j.jacceco.2017.11.011)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

# Earnings management, audit adjustments, and the financing of corporate acquisitions: Evidence from China

*Clive Lennox*

*Leventhal School of Accounting, University of Southern California, USA*

*Zi-Tian Wang*

*School of Accountancy, Shanghai University of Finance and Economics, China*

*Xi Wu*

*School of Accountancy, Central University of Finance and Economics, China*

## ABSTRACT

Acquirers are motivated to overstate earnings prior to stock-financed acquisitions. We hypothesize that audits help to detect and correct such overstatements. We test this using a difference-in-differences design, which compares audit adjustments to earnings for stock-financed and cash-financed acquirers before versus after the acquisitions. Consistent with our hypothesis, we find larger downward adjustments in the audits immediately before stock-financed acquisitions. Further analysis of regulatory sanction suggests the downward adjustments are in fact warranted, rather than auditors being overly conservative. Moreover, modifications in audit reports suggest that downward adjustments do not correct all of the reporting irregularities in audited financial statements.

متن کامل مقاله

دریافت فوری ←

**ISIArticles**

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلید کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات