Week 12 Discussion

Student’s Name

Institution

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According to recent studies, accrual based earning management has been reducing as the real earning management increases (Franceschetti, 2017). This implies that there is a direct correlation due to regulatory scrutiny. However, based on the idea general accepted accounting standards, it is expected that the management use the real earning management for restrictive of management’s subjective estimate as expected by the Wall Street. Normally, management of companies uses real earning management to prepare and report financial information of their business operation according to guidelines of Generally Accepted Accounting Principles. These principles provide guidelines how accounting activities should be reported to promote accountability and transparency of accounting professionals.

Consequently, if the management of companies to these guidelines as expected in by the Wall Street, it will lead to good reporting of financial reports hence, leading to accountability, honesty and transparency in accounting (Duska, et.al 2017). Besides, since use of real earning management provide more restrictive to management, it discourages mismanagement of organizational resources that usually leads to misappropriation of accounting information. As a result, this can lead to good management of organizational resources as expected by the Wall Street. As such, the latter can promote integrity in an organization since all accounting will be honest in their undertakings to meet the required standard by the professional body under any condition.

Additionally, the use of real earning management ensure good management of accounting data through advocating for clear recording of all transactions for future references (Duska, et.al 2017). This practices promote professional competence and due care because all responsible account ting personnel are entitled to do the right activities. Also, real earning management ensures that the management discloses financial information to only responsible stakeholders of the company. The latter help in promoting professional behaviors as expected by Wall Street.

References

Duska, R. F., Duska, B. S., & Ragatz, J. (2011). *Accounting ethics*. Chichester, West Sussex, U.K: Wiley-Blackwell.

Franceschetti, B. M. (2017). *Financial Crises and Earnings Management Behavior: Arguments and Evidence Against Causality*. Cham: Springer International Publishing.