

**MINISTRY OF EDUCATION AND TRAINING
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**EARNINGS MANAGEMENT OF SEASONED
EQUITY OFFERINGS COMPANIES LISTED ON
VIETNAM'S STOCK MARKET**

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SUMMARY OF DOCTORAL DISSERTATION

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INTRODUCTION

1. Rationale

Earnings management is the topic that researchers interested in studying the world since the early 80s until now as Healy [91], DeAngelo [59], Davidson et al [56], Dye [70], Sweeney [156], Schipper [145], Rangan [140], Teoh et al [158], [159], Shivakumar [149], Wang [163], Sun và et al [154], Suzan et al [153], Rifki Zulkarnain et al [143], Seyed Arash Sadeghi et al [151]...Loomis [122] said “Earnings management is one of the topics of most concern of both academics and practioners of accounting especially accounting of listed companies”. Most of the research on the topic of earnings management are made in developed countries like UK, USA, Canada ... In Vietnam, earnings management in general and earnings management in the context of seasoned equity offerings in particular are still new so that there are very few studies on this topic. This is a research gap. Moreover, in the world, the researchers conducted the study in the context of issuing shares initial public offerings (IPOs) and seasoned equity offerings (SEOs). However, data of IPOs companies are not widely publicized in Vietnam. Besides, Vietnam’s stock market is no database available for accessing. These are the difficulties in the process of studying in Vietnam.

Investment environment of stock market in Vietnam is still very primitive, attractive to investors both domestic and foreign. However, in order to choose the best investment stocks effectively, investors must rely on many sources of information, including information from the financial statements, especially the income statement as one of the most important information sources. However, the information in this report was being enterprises “cooking”, especially with earnings. Earnings management greatly affects the interests of the shareholders in particular, the interests of the company in general. It undermines the confidence of investors into the stock market. Moreover, the objective of the Government and the Ministry of Finance set out the "investor protection" also failed.

Stemming from the importance of financial statements in general and in particular profit targets in the listed joint stock companies, after a period of study, the topic “*Earnings management*”

of seasoned equity offerings companies listed on Vietnam's stock market" is chosen in this doctoral dissertation.

2. Objectives of the study

The objective of this study was to search for evidence of the level of earnings management of seasoned equity offerings listed companies, and to identify factors that affect the earnings management of this company, thereby, verify theory of earnings management in the context of Vietnam.

To achieve the above general objectives, the specific research objectives are defined as follows:

- Determine the level of earnings management of seasoned equity offerings companies listed on Vietnam's stock market.
- Identify the factors affecting the earnings management of seasoned equity offerings companies listed on Vietnam's stock market.
- Suggest some policies related to listed companies, especially companies have issued additional shares on the stock market of Vietnam.

3. Object, scope and method of research

3.1 Objects and scope of research

** The objects of study*

The objects of study were identified as the level of earnings management at seasoned equity offerings companies listed on Vietnam's stock market to raise capital including earnings management activities and the factors that influence level of earnings management.

** The scope of study*

- In terms of space: The scope of the research is that seasoned equity offerings companies listed on Vietnam stock market.
- In terms of time: evaluate the level of earnings management in the issuing period in 2010 (year and quarter). Because 2010 is the year where the number of issuers in most sampling period 2007-2015.

3.2 Approach and methodology:

The approach to search positive evidence of earnings management and factors affecting such action. At the same time, explain the causes that affecting earnings management. Quantitative method is used.

4. Contributions of the study:

The theoretical contributions include

Firstly, the contents of the subject has contributed to research theoretical basis of earnings management in the world in general, especially in the context of emerging stock markets like Vietnam. In particular, research in the case of seasoned equity offerings in a developing country like Vietnam.

Secondly, the results of research and analysis we can conclude that political cost theory still exist in Vietnam's stock market. Accordingly, if the size of the company the greater the level of earnings management to be higher in order to avoid sanctions as stipulated in Article 12 of the Securities Act when making seasoned equity offerings.

Thirdly, the results of this study showed that agency theory still have theoretical aspects properly promoted in Vietnam stock market. Accordingly, if the firms size is the greater, the separation between the management and ownership rights greater. At that time, the directors have a more powerful motivation to his own advantage and related groups through earnings management. In addition, corporate governance mechanisms (the board size) is still important element to help financial information honest, fair and transparent. However, when applying the agency theory in the emerging stock markets namely Vietnam securities market, pay attention to the characteristics of the system of specialized laws regulated each area of that country. Here are the specific regulations of the state of independent auditors, the provisions of the law on corporate governance mechanisms.

Lastly, the study results also showed, signaling theory still exists and can be used to explain to the Vietnam stock market. Accordingly, the directors can use the liquidity of assets as a financial indicator to signal to the market. Therefore, the company had liquidity problems, the directors will increase earnings management. Moreover, signal theory and asymmetric information theory can still use to explain for Vietnam stock market.

Practical contributions of the dissertation:

Firstly, the findings show that earnings management has existed in case of seasoned equity offerings in companies listed on the stock market of Vietnam. This is the valuable references to the stakeholders (investors, shareholders, creditors, suppliers, ...) making investment decisions with prudence and level of risk tolerance when profit data is provided in the financial statements are not honest. On

the other hand, the findings also provide information to state authorities to recognize and assess the quality earnings of the company. Since then, given the macro-management policies in order to enhance the quality of the earnings in public companies in general and in particular listed companies.

Secondly, this study was developed and tested on the factors affecting the level of earnings management such as firm size (log of assets); financial leverage (liabilities/ total of capital); profitability (ROA); liquidity (current assets/ short-term debt); size of the board. Findings of the research is the basis for the researchers refer to when implementing similar research topics. At the same time, this is also the reference to provide information to auditors should keep skepticism when performing audits of financial statements of listed companies.

5. The layout of the study

Apart from the introduction and conclusion, the paper is organized into five chapters with the following content.

Chapter 1: Literature review of earnings management

Chapter 2: Theoretical Framework

Chapter 3: Research Design

Chapter 4: Results of study and discuss results of study

Chapter 5: Conclusion and recommendation

CHAPTER 1: LITERATURE OVERVIEW

1.1 Earnings management in the world

1.1.1. Earnings management in IPOs

US states is considered the historical development of the oldest stock market in the world (New York stock market established in 1817). Therefore, the study of the stock market in general and earnings management of listed companies in particular are starting from this country. One of the earliest authors research on this topic is Friedlan [78], conducted the study on 277 of US IPOs companies and concluded that these companies increased earnings by issuing shares prior year. Especially, operating profits were reduced from years after issuing years. In addition, in order to persuade investors, IPOs companies make adjustments profit to show a good signal to the capital market and potential investors, simultaneously distinguish companies with good business results and the company has poor business results. As a result, potential investors have the optimism

about the earnings growth of these companies, the Jain and Kini [98] studied the fluctuations in the business results of 682 IPOs American companies. Defond and Jiambalvo [66] found evidence that the profit is adjusted prior to the issuance of shares for the first time. Besides, (Ball and Brown [32], Foster [77], Beaver et al [41]) also said that earnings management exists when offering of seasoned equity to increase price of stock.

1.1.2. Earnings management in SEOs

1.1.2.1. Upward earnings management in SEOs

Earnings management in SEOs is studied in at least 3 periods: the period before issuing, the issuing period, the period after issuing. Numerous studies worldwide have demonstrated that, earnings management was around the time of issuance of shares, especially before and during the issuing [158], [140], [149], [172], [111], [121] and downward earnings management after the issuing [69], [149]. The accounting profit is adjusted prior to the issuance of shares to attract potential investors and the stock sold at high prices.

1.1.2.2. Factors affecting earnings management

The characteristics of the company: company size, capital structure, profitability, liquidity of assets [121], [113], [160], [151]; The element of corporate governance mechanism: the board, the audit committee, the percentage of ownership of the board of directors, the percentage of ownership held by blockholders [134], [153], [173], [175], [89]; external audit factor [160].

1.2 Earnings management in Vietnam

In 2014, the paper of Nguyen Cong Phuong and Nguyen Thi Uyen Phuong [11] showed that, there are 50 companies in the total of 75 with accrual accounting variables can be adjusted greater than 0 in the context of seasoned equity offerings. In the other words, there are 66.7% of the companies in the sample have upward earnings management in the financial year preceding the year of issuance. Besides, the study also showed that the discretionary accruals depends on the size of listed companies. Meanwhile, did not find evidence of the influence of the independent auditor to the extent of earnings management. This study used the Friedlan model (1994) to calculate accrual accounting variables.

Phan Thi Thuy Duong [13] used the model of Jones (1991) to identify profitable adjustment: the case of a seasoned equity

offerings listed company in HOSE in 2013, the research results showed that, there are 18 companies in the sample 24 companies (75%) that having upward earnings management.

1.3 The gap of the study

1.4 Conclusion

CHAPTER 2: THEORETICAL FRAMEWORK

2.1 Definition of Earnings Management

Earnings management is action of manager to adjust profit in the framework of the accounting system to achieve management goals.

2.2 Motivations of earnings management

2.2.1 Motivation of raising capital

The stakeholders use the financial information in general and investors in particular often use financial information especially about the profitability of listed companies for making investment decisions. From the behavior of investors will affect the company's stock price. Therefore, this is one of the incentives for managers to earnings management. Kasanen et al [106]; Phạm Thị Bích Vân [15], [16]; Burgstahler và Dichev [47]; Nelson và et al [129]; Athanasakou et al [29]; Peek [136]; Glaum et al [82]; Martinez [123]; Graham et al [87]; Daniel et al [58]; Sun và Rath [154].

2.2.2 The contract motivation

2.2.2.1 Management compensation contract

2.2.2.2 Lending contracts motivations

2.2.3 Regulatory motivations

2.3 Theories of earnings management

2.3.1 Agency theory

Agency theory is derived from economic theory and developed by Alchian and Demsetz in 1972, then Jensen and Meckling are further developed in 1976. This theory represents a framework launched theory to study the impact of capital markets on behavior of manager in earnings management

2.3.2 Information asymmetry theory

Theory of information asymmetry first appeared in the 1970s and George Akerlof Michael Spence and Joseph Stiglitz, the Nobel prize honored the economy with this theory. Theory of information asymmetry that, a capital markets phenomenon of information asymmetry occurs when one party market participants (executives of listed companies) know much about internal

information businesses, while their partners (shareholders, potential investors) do not know.

2.3.3 Signalling theory

Signalling theory asserts that a signal is an action taken by a high-quality firm that would be irrational if the firm were low quality [142]. One of the signals is debt ratio, ROA, accounting profit.

2.3.4 Political costs Theory

Political cost theory state that management decisions of the managers related to the interests of the company (eg tax policy, monopolies, competition, ...) based on public information announced by the company [166]. Political cost theory was developed by Watts and Zimmerman [166] to explain the phenomenon of accounting: to explain and predict the actions of accountants in practice under the pressure of economic policies of the state.

2.4 Earnings management mechanisms

2.4.1 Accrual-based earnings management

2.4.2 Real activities-based earnings management

2.5 Models for Capturing Earnings Management

2.5.1 The Healy Model (1985)

2.5.2 The DeAngelo Model (1986)

2.5.3 The Jones Model (1991)

2.5.4 The Modified Jones Model (1995)

$$\frac{TA_{it}}{A_{it-1}} = a_1 \left(\frac{1}{A_{it-1}} \right) + a_2 \left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}} \right) + a_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \varepsilon_{it}$$

Where:

TA_{it} = Aggregate accruals.

A_{it-1} = the book value of total assets of firm i at the end of year t -1,

$\Delta REV_{it} / A_{it-1}$ = sales revenues of firm i in year t less revenues in year t - 1 scaled by A_{it-1} ,

ΔREC_{it} = the change in accounts receivables.

PPE_{it} / A_{it-1} = gross property, plant and equipment of firm i at the end of year t scaled by A_{it-1} ,

a_1, a_2, a_3 = estimated parameters.

ε_{it} =The residual

2.5.5 Performance Matched Discretionary Accruals (2005)

2.6 Factors affecting the company governance mechanisms

2.6.1 Board Size

2.6.2 Proportion of independent members of the board

2.6.3 The duality board chairman and Executive

2.6.4 External Audit

2.6.5 Firm size

2.6.6 Financial Leverage

2.6.7 Profitability

2.6.8 Liquidity assets

2.7 Conclusion

CHAPTER 3: RESEARCH DESIGN

3.1 Research Hypotheses

3.1.1 Earnings management

H₁: Upward earnings management before issuing seasoned equity offerings in listed company in Vietnamese Stock Exchange

3.1.2 Factors affecting earnings management

3.1.2.1 Board Size

H₂: Firms with bigger board size, the lower earnings management.

3.1.2.2 Proportion of independent members of the board

H₃: Firms with lower proportion of independent members, the higher earnings management.

3.1.2.3 The duality board chairman and Executive

H₄: There is a positive relationship between duality and earnings management.

3.1.2.4 External Audit

H₅: The company was audited by BigFour, lower earnings management.

3.1.2.5 Firm size

H₆: Firms size with bigger, the higher earnings management.

3.1.2.6 Financial Leverage

H₇: Firms with greater financial leverage, the higher earnings management.

3.1.2.7 Profitability

H₈: Firms with lower profitability, the higher earnings management.

3.1.2.8 Liquidity assets

H₉: Firms with lower Liquidity assets, the higher earnings management.

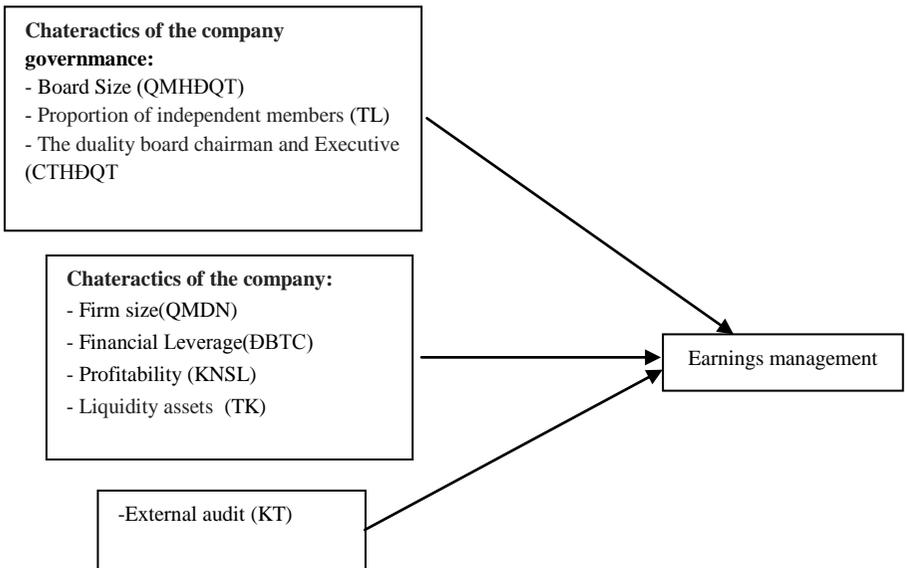
3.2 Research Methodology

3.2.1 Research model

Chart 4.1: Factors affecting earnings management

$$DA_{it} = a_1 + a_2 QMH\text{DQT}_{it} + a_3 TL_{it} + a_4 CTH\text{DQT}_{it} + a_5 KT_{it} + a_6 QMDN_{it} + a_7 \text{DBTC}_{it} + a_8 KNSL_{it} + a_9 TK_{it} + \varepsilon_{it} \quad (3.1)$$

Where: a_1 to a_9 is the regression coefficient, ε_{it} the residual



3.2.2 Measurement of variables

3.2.2.1 Measurement of earnings management (DA)

$$\text{Total Accruals}_t \quad (=) \quad \text{Net Income}_t \quad - \quad \text{Net cash flow from operating activities}_t \quad (3.2)$$

$$\text{(Total Accruals-TA)} \quad = \quad \text{(Discretionary Accruals- DA)} \quad + \quad \text{(Non discretionary Accruals-NDA)} \quad (3.3)$$

According to Modified Jones modet (1995), NDA is calculated the following

$$\frac{NDA_{it}}{A_{it-1}} = \alpha_1 \left(\frac{1}{A_{it-1}} \right) + \alpha_2 \left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}} \right) + \alpha_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) \quad (3.4)$$

Where:

NDA_{it} = Non- discretionary accruals of firm i at the end of year t.

A_{it-1} = the book value of total assets of firm i at the end of year t -1,

$\Delta REV_{it} / A_{it-1}$ = sales revenues of firm i in year t less revenues in year t – 1 scaled by A_{it-1} ,

ΔREC_{it} = the change in accounts receivables.

PPE_{it} / A_{it-1} = gross property, plant and equipment of firm i at the end of year t scaled by A_{it-1} ,

ε_{it} =The residual

$\alpha_1, \alpha_2, \alpha_3$ = estimated parameters and are estimated by Jones model (1991) the following

$$\frac{TA_{it}}{A_{it-1}} = a_1 \left(\frac{1}{A_{it-1}} \right) + a_2 \left(\frac{\Delta REV_{it}}{A_{it-1}} \right) + a_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \varepsilon_{it} \quad (3.5)$$

a_1, a_2, a_3 = estimated parameters. Then replace (4.4) to calculate NDA_{it} .

$$\frac{DA_{it}}{TS_{it-1}} = \frac{TA_{it}}{TS_{it-1}} - \frac{NDA_{it}}{TS_{it-1}} \quad (3.6)$$

From (3.6), DA_{it} is calculated, this variable represents for earnings management . At the same time, it is depent variable.

3.2.2.2 Measurement Board size variable

QMHDQT be measured by the total number directors of the Board

3.2.2.3 Measurement rate of independent board members variable

The proportion of independent directors (TL) as measured by the ratio of independent board members divided by the total number of board members

3.2.2.4 Measurement of duality CEO variable

A dummy variable that takes the value of 1 if chairman and directors are duality and zero otherwise

3.2.2.5 Measurement external audit variable

A dummy variable that takes the value of 1 if a company is audited by BigFour and zero otherwise.

3.2.2.6 Measurement firm size variable

(QMDN) can be measured through asset value (log of assets).

3.2.2.7 Measurement of financial leverage variables

DBTC is measured by the ratio of liabilities divided by assets.

3.2.2.8 Measurement profitability variable

KNSL measured by ROA, ROA income after tax divided by average assets.

3.2.2.9 Measurement liquidity variables

Liquidity (TK) as measured by current assets divided by current liabilities.

3.3 Collect and analyze data

The sample size of the study consists of all companies as the entire population from May 3, 2007 to December 31, 2015 of theTPHCM and Ha Noi Stock Exchange at the site <http://stockbiz.vn> . However, the study sample is subjected to the following criteria:

- Issuing seasoned equity offerings in 2010 because this year with total of number the biggest companies
- Because financial, bank, security and insurance companies apply different accounting system, they were excluded since they have specific practices and operations.

Final sample is used including 106 seasoned equity offerings listed companies in 2010

CHAPTER 4: RESULTS OF STUDY AND DISCUSS

4.1 Statistics of sample

Table 4.1 shows that the number of industry companies in the study was 69 (accounting for 65.0%); 19 companies raw materials sector (percentage 17.9%); 7 consumer goods companies (accounting for 6.7%); consumer services sector accounted for 5.7% rate with the number 6 companies; public utilities sector has 3 companies (proportion of 2.9%); Medical and pharmaceutical information technology, one company per sector (accounting for 0.9%).

Data is collected for each sector 20 companies to estimate the parameters α and are shown from appendix 1 to appendix 7. From the data in 7 appendix, calculation of the variable matching

Jones model (1991) ($Z = TA_{2010} / A_{2009}$; $Z_1 = 1 / A_{2009}$; $Z_2 = \Delta REV_{2010} / A_{2009}$; $Z_3 = PPE_{2010} / A_{2009}$) for each specific sector. The results are presented from Appendix 9 to Appendix 15. From the data in Appendix 9 to Appendix 15, estimates OLS model: $Z = \alpha_1 Z_1 + \alpha_2 Z_2 + \alpha_3 Z_3 + \varepsilon$ using SPSS software version 16.0 have been the result of 7 appendixes (shown from appendix 16 to appendix 22) to: $\alpha_1, \alpha_2, \alpha_3$. Replace $\alpha_1, \alpha_2, \alpha_3$ for a_1, a_2, a_3 to the following formula sequentially each sector:

$$\frac{NDA_{2010}}{A_{2009}} = a_1 \frac{1}{A_{2009}} + a_2 \frac{(\Delta REV_{2010} - \Delta REC_{2010})}{A_{2009}} + a_3 \frac{PPE_{2010}}{A_{2009}}$$

Research variables data in the Modified Jones model (1995) of the 106 companies of the 7 sectors is presented in Appendix 23. Since then, we have the value of DA and NDA variables of 7 sectors and are presented in Appendix 24. Appendix 24 shows, the level of earnings management is different for each company.

4.2 Result testing hypotheses with data of year

4.2.1 Analysis of discretion accruals (DA)

The results in Table 4.2 and Table 4.3, we can draw the conclusion that the existence of action to increase the profits in the year to issue additional shares of the companies belonging to the sample. This means that the hypothesis H_1 is accepted, it means that the phenomenon earnings management exists in the year of issue. The results of study along trend with some of the research in the world and in Vietnam such as [158], [149], [172], [129], [136], [111], [163], [52], [168], [24], [11], [18].

4.2.2 Results of testing hypotheses about the factors affecting earnings management

4.2.2.1 Analysis of descriptive statistics and univariate test

Table 4.5 shows that the average value of the variable DA is 0.1736513, 0.1976401 is median value. This proves that upward earnings management through accrual accounting variables of the seasoned equity offerings companies listed on the stock market of Vietnam. This conclusion is reinforced by the parameter test (t-test) and non-parametric test (Mann Whitney- test) statistically significant at 1%.

The average value of QMHDQT variable = 5.26, the lowest value was 3, the highest value was 9 people in the board. Table 4.5 shows, companies in the sample has a low average, the average DA variable higher QMHDQT companies with high DA average (5.38 > 5.15). However, this relationship is not statistically significant.

Similarly, the average value of TL variable = 0.57 higher than the specified value by Ministry of finance is 1/3. In addition, higher average TL turn in the companies with low DA (0.58) and in the group of companies with high, variable DA TL has a low average (0.56). However, this relationship was not statistically significant.

The duality CEO variable seems to be positively related to the DA variable, in particular showing averages of duality CEO with 0,40 of the companies with low DA and vice versa by 0.43 in the group of companies with high DA. However, this relationship is not statistically significant.

Table 4.5 also shows that only about 12% (mean value = 0.12) of the companies in the sample audited by the audit firm in the group BigFour. Thus, there is about 88% of companies were audited by other auditing firms. In addition, Table 4.5 also shows, the company with upward earnings management (DA high) audited by the companies in the group BigFour less than the companies in the group downward earnings management (0,11 < 0.13). However, this relationship is not statistically significant.

Table 4.5 shows that the variable firm size is measured by log (assets) have a negative impact on the variable DA. The results shows that, if the size of total of assets worth 26.77 belonging to DA lower but if the size of totap of assets worth 26.73 belonging to DA highly variable. However, this relationship is not statistically significant. In other words, the hypothesis H_6 is not accepted.

Financial leverage variable seems to have a negative impact on the variable DA. This shows that, liabilities / assets equal 0.62 among low-value DA variable, whereas if the liabilities / assets equal 0.54 worth heading higher variable DA. This relationship is statistically significant at 5% (95% confidence level) in both types of test parameters and non-parametric.

Profitability variable represented by ROA shows, for group companies with high average ROA was 0.11 worth heading high DA

variable and low DA group had lower average ROA = 0.07 . This result shows that positive correlation between profitability and earnings management variable. Testing non-parametric the Mann-Whitney and parametric test t-test were significant at the 5% level. In other words, the higher profitability, the higher earnings management.

For liquidity of assets variable is measured by current assets divided by current liabilities, Table 4.5 shows the trend reverse correlation between this variable and DA variable. Specifically, for the group of high-value DA variable is 1.68 times the opposite group, the low value of 1.77 times the variable DA. However, this relationship is not statistically significant. In other words, the hypothesis H_9 is unaccepted.

4.2.2.2 Correlation Matrix

4.2.2.3 Analysis of multivariate regression

$$DA_{it} = a_1 + a_2 QMHDQT_{it} + a_3 TL_{it} + a_4 CTHDQT_{it} + a_5 KT_{it} + a_6 QMDN_{it} + a_7 DBTC_{it} + a_8 KNSL_{it} + a_9 TK_{it} + \epsilon_{it} \quad (3.1)$$

Through Table 4.7 can be seen only QMDN; DBTC; KNSL; TK; QMHDQT variables statistical significance is reflected in the level of significance Sig. This means that the variables on the likely explanation for the dependent variable.

The level of statistical significance $F = 0.000$ of regression model less than 0.05, the model inferred statistically significant, representing the DA variable – earnings management depends on independent variables such as QMDN, DBTC, KNSL, TK, QMHDQT in the model. Besides, the results of the linear regression analysis showed that adjusted R^2 deficit worth 26.1%. Magnification factor VIF variance of the 5 factors are less than 10, concluded no phenomenon multicollinearity in the model between together independent variables. Durbin-Watson coefficient (DB) = 1.983 in the range of 1 to 3 should be able to conclude the remainder does not correlate with one another superlative chain model. This means that do not violate the assumption of autocorrelation.

4.3 Result testing hypotheses with quarter data

4.3.1 Analysis of earnings management (DA)

Through Table 4.9 shows the average value and the median value of the DA variable release quarterly positive signs, the value of 0.1667646 and 0.1688108 respectively. This is the first sign

shows that the phenomenon exists adjusted profit in the quarter increased issuance of additional shares.

The results in Table 4.9 and Table 4.10, we can draw the conclusion that the existence of action to increase the profits in the quarter to issue additional shares of the companies belonging to the sample. This means that the hypothesis H1 is accepted.

4.3.2 Results of testing hypotheses about the factors affecting earnings management

4.3.2.1 Analysis of descriptive statistics and univariate test

Average QMHDOT variable = 5.2, the lowest value was 3, the highest value was 9 people in the board. Table 4.12 shows, the company has a low average QMHDOT, the average DA variable also turned lower QMHDOT companies with high DA average (5.17 < 5.36). However, this result was not statistically significant.

Similarly, the average value of the TL variable = 0.57 higher than the value specified Ministry of Finance is 1/3. In addition, higher average TL turn in the companies with low DA variable (0.59) and in the group of companies with high, variable DA TL has a low average (0.55). However, this result was not statistically significant. This result is similar to findings in Table 4.5.

The variable of duality CEO seems to have no relation with the variable of DA, the results show that, similar averages of duality CEO by 0.42 in two groups of companies with low DA and high DA. Table 4.12 also shows that only about 12% (mean value = 0.12) of the companies in the sample audited quarterly financial statements by the auditing firm BigFour group. Thus, there is about 88% of companies were audited by other auditing firms.

Similarly Table 4.5, Table 4.12 shows, there is a consensus in giving conclusions, which means there is a significant difference in the level of earnings management between the two groups of companies. This conclusion is reinforced by the parameter test (t-test) and non-parametric test (Mann Whitney test) statistically significant at 1%.

Table 4.12 also shows that firm size variable is measured by log (assets) have positive influence to the DA variable. In the other word, if log (assets) by 26.51, low the value of DA variable but if log (assets) by 26.89 worth higher the value of DA variable. This positive relationship with statistical significance at 10%. In other words, the hypothesis H_6 is accepted. This result is similar to findings in Table 4.7 with year data. Similarly, financial leverage variables seem to positively affect the variable of DA. This demonstrates that,

the DBTC variable by 0.60 in the group with low DA variable value, whereas if DBTC by 0.64 of heading a high-value DA variable. However, the opposite relationship was not statistically significant. In other words, hypothesis H₇ is not accepted.

Profitability variables represented by ROA shows, seems to have positively affected between DA and ROA variables. This demonstrates that, ROA = 0.016 worth heading lower earnings management variable and ROA = 0.02 with high earnings management. This result shows that positive correlation between profitability and DA variable. This trend is similar to findings in Table 4.5 and Table 4.7. However, this relationship is not statistically significant.

For the variable of liquidity of assets, Table 4.12 shows the opposite trend correlation between this variable and variable of DA. TK variables specific to the DA group variable values are 1.47 times higher contrast valuable group is 1.71 times lower variable of DA. This result is similar to findings in Table 4.5 and Table 4.7. However, this relationship is not statistically significant.

4.3.2.2 Correlation Matrix

Table 4.13 shows the correlation between the independent variables and the dependent variable and the correlation between the together of quarterly figures independent variables. Results shown in Table 4.13. Table 4.13 shows, there is no phenomenon of multicollinearity between the independent variables because all the correlations between the independent variables are less than 0.8.

4.3.2.3 Analysis of multivariate regression

After considering multicollinearity phenomenon, conducted a multiple regression run and eliminate the factors do not affect the dependent variable. The regression results shown in Table 4.14.

Through Table 4.14 shows, only QMDN variable have statistically significant (reflected in the value of this variable Sig <0.1). With the level of statistical significance F = 0.050 smaller 0.1 of the model, model inferred statistically significant, meaning that the variable representing the DA-earnings management depends on the independent variables model.

Results of linear regression analysis showed that adjusted R² value of 2.7%. Durbin-Watson coefficient (DB) = 2.240 in the range of 1 to 3 should be able to conclude the remainder does not correlate with one another superlative chain model means that do not violate the assumption of autocorrelation.

4.4 Discuss findings

4.4.1 Earnings management in the previous period

Both the quarter and year data in the hypothesis that there exists upward earnings management in case issuance of additional shares to be accepted. The study results are consistent with several previous studies in the world and in Vietnam as [158], [159], [140], [149], [27], [172], [93], [111], [53], [52], [120], [121], [118], [49], [62], [24], [11], [13], [18], [19]. This means, the goal of attracting investment and increase the market value of shares of the company to be top priority [18].

4.4.2 Factors affecting earnings management

4.4.2.1 The elements of corporate governance

** Board size and earnings management*

Table 5.1 also shows QMHDQT variables and DA variable inversely correlated (regression coefficient = -0.039). This means, the board size has the greater the degree of earnings management smaller. In other words, the hypothesis H_2 is accepted (sig = 0.079 < 0.1) shown in Table 4.7. The research results of multivariate regression fit univariate test results in Table 4.5.

** The proportion of independent directors and earnings management*

Research results with year data found no relationship between the TL variables and DA variable. In other words, the proportion of board members have no independent correlation with the earnings management. Or no evidence to accept the hypothesis H_3 .

** The duality CEO and earnings management*

Initial theories set out, these companies have a duality CEO, earnings management is higher. This means duality CEO and DA positively correlated. Results Table 4.7 indicates, these two variables have a relationship in the same direction. However, this relationship is not statistically significant (sig = 0.966 > 0.05) as shown in Table 4.7. In other words, the hypothesis H_4 unacceptable.

4.4.2.2 The characteristic of firm factors affecting earnings management

** Firm size and earnings management*

For hypothesis H_6 , the size of the firm and earnings management positively correlated with each other (sig = 0.020 < 0.05). This means, the larger the firm size, the higher earnings

management. The study results are consistent with the agency theory and some authors both domestically and internationally [140], [129], [121], [76], [11], [143], [14], [15], [74], [162].

** Financial leverage and earnings management*

Research results for the year data shown in Table 4.7, evidence supports the theory of financial leverage (measured by liabilities / assets), the greater financial leverage, the smaller earnings management (the regression coefficient = -0.473 tied to DBTC variable) and (Sig = 0.006 <0.05) as shown in Table 4.7.

** Profitability and earnings management*

The research results for both years showed figures positive correlation between the variables of profitability (ROA) and variable DA. These two variables are correlated most strongly expressed in the regression coefficients shown in Table 4.7 is 1,095. In other words, the profitability of the property the greater, the higher earnings management (Sig = 0.000 <0.05) as shown in Table 4.7. Multivariate regression results also suitable for testing univariate results in Table 4.5. This result similarities with Iran [151], [38]; Viet nam [15]. However, this result is in contrast with the hypothesis posed at the beginning.

** Liquidity and earnings management*

Table 5.1 the results shows that the variable of liquidity of assets and variable DA opposite correlation (sig = 0.000 <0.05) as shown in Table 4.7. Regression coefficient associated with this variable is -0.085. In other words, if the liquidity of the assets less the greater earnings management. This means that the H₀ hypothesis is accepted. Multivariate regression results also suitable for testing univariate results in Table 4.5 and Table 4.12 (for data of the year and quarterly figures).

** Compare the results of this study and previous studies*

The results of this study are similar to the results of research in the world for both domestic and assumptions, there is an earnings management behavior in seasoned equity offerings listed companies on Vietnam's stock market.

On the results of the study of factors affecting earnings management, there are several factors similar to this study or other studies (analyzed specifically above). However, here is something special, the study results completely consistent with the findings of

Suzan Abed, Ali Al-Attar et al [153]. Suzan Abed et al [153] study Board size, the proportion of independent members of the Board, the duality CEO affect earnings management, the smaller the Board size the higher earnings management, while variable of the rate of independent members of the Board size and the duality CEO has no influence earnings management. Meanwhile, Suzan Abed et al [153] studied the stock market in Amman (Jordan countries) but this studies of the stock market in Vietnam. Moreover, Suzan Abed et al [153] used panel data but this study used cross-sectional data.

At the same time, the research results of this thesis has some new features compared to previous studies in Vietnam.

Firstly, this study has discovered 5 additional factors that affect the degree of earnings management of seasoned equity offerings listed companies on the stock market of Vietnam. Besides, the results of this study provide further evidence confirming the findings of Nguyen Cong Phuong and Nguyen Thi Uyen Phuong [11] is, (i) the company size is the greater the level of earnings management is the higher; (ii) external independent audit has no relationship with the level of earnings mangement. In other words, external independent audit does not help financial information of listed companies more honest and more transparent. However, the sample size of this study (106 companies) is larger sample size of the study of Nguyen Cong Phuong and Nguyen Thi Uyen Phuong [11] of 75 companies.

Secondly, the results of the study carried out for the issuing period issuing (year and quarter). Meanwhile, research by Phan Thi Thuy Duong [13] was completed with pre- issuing quarter, while the the paper of Nguyen Cong Phuong and Nguyen Thi Uyen Phuong was finished to pre- issuing year. Moreover, sample size of this study (106 companies) larger of the two studies Phan Thi Thuy Duong [13] (24 companies); Nguyen Cong Phuong and Nguyen Thi Uyen Phuong [11] of 75 companies.

Thirdly, the results of this study using the Modified Jones model (1995), while that of Nguyen Cong Phuong and Nguyen Thi Uyen Phuong [11] is Friedlan model (1994), the study by Phan Thi Thuy Duong [13] Jones model (1991).

Fourthly, the study by Phan Thi Thuy Duong [13] samples were collected listed companies on the stock market in Ho Chi Minh

City. While this study, data are collected samples throughout Vietnam stock market (HOSE and HNX).

Lastly, two studies of Nguyen Cong Phuong and Nguyen Thi Uyen Phuong [11] and Phan Thi Thuy Duong [13] only method to calculate rate ratios of companies with variable $DA > 0$ (representing the earnings management) of companies in the sample. Meanwhile, this study tested parameters using t-test, non-parametric test Mann-Whitney, test univariate, multivariate regression tests.

4.5 Conclusions

This chapter aims to present the results of research on the earnings management of seasoned equity offerings listed companies through descriptive statistical methods, univariate testing, multivariate regression testing, parameters and non-parametric test. The research results indicate that earnings management exists to increase profits in any issuance of additional shares (accounting year and quarterly accounting period).

On the factors affecting the earnings management, the first considering with the year data, QMDN variable measured by log (assets) is correlated positively with the earnings management; DBTC variables measured by liabilities / assets negatively correlated with the earnings management; KNSL variable measured by ROA positively correlated with the earnings management; TK variable measured by current assets divided by current liabilities negatively correlated with the earnings management; board size variable is correlated negatively with the earnings management. All five variables above are mean. The remaining three variables (percentage of independent member board, duality CEO; independent audit is not statistically significant.

For quarterly figures, only the size of the firms correlated positively and significantly to the earnings management.

The research results of the year data in and quarter data have similarity about hypothesis, (i) the listed companies adjusted profit in the period to issue additional shares; (ii) the listed company has the bigger firm, the higher the earnings management. However, the multivariate regression analysis, the year data is better than quarter data. This can be explained by: (i) as explained in the previous section as quarterly figures released closer to the time issuance most so that motivation of managers will be stronger. Meanwhile, according to current regulations, the quarterly figures

have not been audited or reviewed. Therefore, the extent of earnings management large for quarterly figures. This argument is demonstrated by the average value = 0.1667646 (quarterly figures in Table 4.9) is roughly equal to the average value = 0.1736513 (year data in Table 4.2).

CHAPTER 5: CONCLUSION AND RECOMMENDATION

5.1 Conclusion

5.2 Recommendation

Through the results and analysis of paper can be concluded that the political cost theory still exist in Vietnam's stock market. Accordingly, if the size of the company the greater, the level earnings management to be higher in order to avoid sanctions as stipulated in Article 12 of the Securities Act when making issuance of additional shares. Moreover, large companies often have greater power in negotiating with the external independent auditor. Therefore, the external independent auditors are easy to ignore the possible items earnings management. As a result, external independent audit variable without affecting the level of earnings management.

The results of this study showed that agency theory still have theoretical aspects properly promoted in Vietnam stock market. Accordingly, if the firms size is the greater, the separation between the management and ownership rights greater. At that time, the directors have a more powerful motivation to his own advantage and related groups through earnings management. In addition, corporate governance mechanisms (the board size) is still important element to help financial information honest, fair and transparent. However, when applying the agency theory in the emerging stock markets namely Vietnam securities market, pay attention to the characteristics of the system of specialized laws regulated each area of that country. Here are the specific regulations of the state of independent auditors, the provisions of the law on corporate governance mechanisms.

The study results also showed, signaling theory still exists and can be used to explain to the Vietnam stock market. Accordingly, the directors can use the liquidity of assets as a financial indicator to signal to the market.

Therefore, the company had liquidity problems, the directors will increase earnings management. Moreover, signal theory and asymmetric information theory can still use to explain for Vietnam stock market. In particular, managers of listed companies to take advantage of asymmetric information in order to maintain the profitability of the property and in order to send a positive signal to

the market. The ultimate aim is to maintain and increase the stock price [18].

5.2.1 Enhancing company governance mechanisms

- * Enhance the independence of the members of an independent board.

- * Establish and strengthen the role of the supervisory committee and internal audit.

- * Raise awareness of company executives.

5.2.2 Enhancing policy regulation

5.2.2.1 Amend and supplement Circular 121/2012 on corporate governance of Ministry of Finance

5.2.2.2 To issue new accounting standards, supplement or amend the old accounting standards

5.2.2.3 Legislation protecting investors

5.2.2.4 Establish Institute independent board members

5.2.3 For external independent audit

In terms of economics, the audit firm also acts for the purpose of profit maximization, while revenue of an audit firm have to compete with other auditing companies to grab customers, or customer maintenance. On the other hand, spend commission big. As a result, the profitability of the audited companies are serious slump. So to ensure profit targets, it's just a way to reduce audit procedures as costly, time. Consequently, the quality of the financial information published does not meet the needs of the market, the state authorities even made a small impact on the market as in the case of shares of the DVD Vien Dong Pharmaceutical Joint stock company, stocks of the company JVC Vietnam Japanese medical equipment ...

5.2.4 For investors

Investors is one of the main species used information from the financial statements of listed companies. Investors should be aware that the figures in the financial statements have been adjusted by executives of listed companies. Therefore, investors need to equip themselves with knowledge in accounting, financial analysis, securities analysis, investment portfolio management, risk management, analysis of market developments ... and special especially the knowledge about regulatory actions profits of shareholding companies listed. Since then, investors can predict the risks and more cautious in selecting the portfolio of investment securities. For to do this is from the school, especially the universities, academies should provide knowledge about regulatory actions profits and corporate governance in the course in Accounting, Accounting and Finance major, accounting-auditing, business

administration ... Besides, investors have to study and improve knowledge in many different channels. Peter Lynch fund manager eminent house of Americans said that, "Investing without research is like playing cards without looking at the cards" or M. Ararat and G. Dallas once said, "The emerging market will bring the attractive investment opportunities, but it also have many potential risks at the national and enterprise. These risks require investors to have a better understanding of corporate governance situation of businesses in these markets".

5.3 Limitations and topic in the future

- A sample of the dissertation is small, not covering all companies listed on the Vietnam stock market. In addition, research data are not up to date.
- Sample selection is based only on the highest issue rate. This shows that the thesis has not considered other criteria such as the quality of accounting information, performance results ...
- The model has shown that the coefficient of determination for R^2 is 26.1% (the independent variables contribute to 26.1% of the dependent variable). This is not a high factor; nearly 74% of the other factors explain the dependent variable not yet considered by the thesis.
- The dissertation uses only the Modified Jones (1995) model that has not yet been used in combination with other models to determine the DA variable.
- The thesis has not yet been surveyed and in-depth interview with knowledgeable experts on the topic of research. This also makes the scientific significance of the thesis affected.

With the limitations mentioned above, the research topic in the future is further refined:

- Continuing to thoroughly study the stocks on the Vietnamese stock market on both Stock Exchanges to find out the specific factors that affect the adjustment of profit.
- Expansion of research time to study results closely reflect reality in the stock market in Vietnam, especially in the current period when the stock market has entered the stable development. with the accounting information changed to approach the general trend of accounting world.
- Selection of research samples in future studies should be based on other criteria such as: quality of accounting information, management of profitability ... This was done through in-depth interviews and interviews. Experts are knowledgeable about this topic.

- It is necessary to put this research topic in other contexts such as listing for the first time, canceling the compulsory listing, changing the corporate income tax rate ... and may add some other factors affecting the management. Profits such as culture, politics, sex of the manager, sex of the chairman of the board, ownership rate ...

LIST OF ANNOUNCED SCIENTIFIC ACHIEVEMENTS

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