DOES AUDIT QUALITY AFFECT REAL EARNINGS MANAGEMENT? THE CASE OF FRENCH LISTED FIRMS

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Abstract - In his study, we investigate the association between the independence of external auditors and real earnings management fora sample of 220 listed firms from CAC All Tradable index for the period 2005-2015. Auditor independence is measured by abnormal audit fees. Three types of real earnings management are considered in this study: abnormal operational cash flow, abnormal production and abnormal discretionary expenses. Our Results show that the association between real earnings management and abnormal audit fees depend on the sign of the two measures. More specifically, this relation is significant only when abnormal audit fees are excessive and for downward earnings management.

Keywords - Auditors independence, abnormal audit fees, real earnings management.
JEL Classifications - M40; M41.