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Exploitation of Earnings Management Concept to Influence the Quality of Accounting Information: Evidence from Jordan

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Abstract
This study aims to understand the nature impact of earnings management practice on the quality of accounting information in Jordan.The study used the quantitative technique to gather the data by using a questionnaire to understand the users' attitudes about earnings management practice in Jordan and how this practice influences the quality of accounting information. To discover this issue, the researcher documented several criteria to identify the concept of "earning management" and define the variables to measure it. The study states that all accounting information users believe that the earnings management practice is used by some companies in Jordan. They stated how the practice affects the quality of accounting information by detecting a significant effect of earnings management, which in turn has an impact on users' decisions, such as investors, financial analysts, and creditors**.** In addition, the study's outcome specified that earnings management has an important influence on accounting information quality. Most companies resort to using earnings management techniques to meet shareholders' wants, financial analysts' expectations for the company's performance, or management's desire to increase the net income which in turn increases the rewards they receive or to achieve their personal interests that resulted from agency problems. Finally, earnings management is considered a form of accounting manipulation practiced without breaching laws and standards.The consequences of the current study help users of financial reports, such as managers and investors, detect an effect of earning management on users' decision making.It is believed that there is no Jordanian study to date examining the impact of earnings management on the quality of accounting information. Therefore, this study significantly contributes to the limited literature on the exploitation of the earnings management concept to influence the quality of accounting information in developing countries.The difficulty with using a questionnaire in developing countries, such as Jordan**,** also there are a number of users who do not care about the results of the study
Keywords: Earnings management, real activity manipulation, accrual manipulation, consequences of earnings management, quality of accounting information, reasons for earnings management applications.

1. Introduction

Recently, the business environment has faced radical changes, and this has been reflected in the emergence of many complicated financial transactions. Which lead management has had to find ways to control accounting information to meet these new circumstances, by using various interpretations and multiple alternatives and methods, to be acceptable and consistent with accounting standards. This has opened the door for management to manipulate or circumvention with financial reports about their firm's financial performance to present a better image to investors and shareholders through what has become known as "earnings management", also known as creative accounting practices or income smoothing. These practices have sometimes resulted in undesirable consequences for companies, such as Enron, Tel and Harris, Toshiba, and Gowex.

Which relatively led to the appearance of new phenomenon which known "earnings management" is practiced by managers to improve their company's profitability and financial position that published in financial reports, They also use such practices to satisfy shareholders wants, or to limit a decline in their company's share prices traded on financial markets, or to avoid compulsory liquidation (Mulford and Comsikey, 2005). This is due to the large and continuous decline in operating profit. Therefore, any practice for earnings management, to improve the company image, will affect the degree of reliability of its financial statements published and shares market prices traded on the stock exchange, which in turn may influence the users' decisions, such as investment and financing decisions and other decisions, by using several methods to show the company's results and financial position as a variation of the reality and thus hide or modified some activities to suit the purposes of the administration. Therefore, attention has been given to the nature of such practices carried out by the administration regarding earnings management, and its impact on the financial performance. These practices are reflected on the information published in the financial reports, which are considered as a basic guide for the accounting information users.

Depending on that, Management uses some of the earnings management practices that are in line with the International Accounting Standards (IAS), having integrity and objectivity of accounting measure. Because the standards still give the administration broad flexibility in the choice between the policies and procedures of accounting and alternative methods, which are often exploited by managers to achieve personal gains such as high levels of profits to increase their bonuses or maintain functional positions.

Such practice of earnings management can lead to some benefits in the short term. However, it may lead to serious problems in the long term, such as a weakness in the operational and economic efficiency which threatens the company's continuity. Given the gravity of this subject, the extent of the practices of earnings management and disclosure to the related risks prompted this study to investigate this phenomenon and how it affects the quality of accounting information by identifying the extent of such an exercise (earnings management) and its effect on performance. Also, the importance of this study stems from the danger of manipulating financial statements and affecting the quality of accounting information negatively or positively. Therefore, it became essential to shed light on earnings management practice.

So this study is trying to shed light on earning management, its activities and how it affects the quality of accounting information (users' decisions). This study also aims to discuss and analyze the dimensions related to this phenomenon and to highlight the reasons for such practice in Jordan. Furthermore, the factors that limit this phenomenon will be explored. Therefore, this study searches for the answers to the following questions. First: Is the management of Jordanian shareholding companies using earnings management and what are its methods and procedures? Second: If this practice is actually applied by the companies, what is its impact on the quality of accounting information? Third: What is the best method could be apply to reduce this practice (earnings management) in Jordanian companies?

Through this study, the researchers will investigate whether earnings management have an effect on accounting information quality. This subject is very significant to a wide range of users for example government, market participants, investors, and managers to help them to make better decisions characterized by rationality.

1.1 Importance of the Study

The importance of this study stems from the risk of manipulating with financial information, which could happen due to the complicity of auditors with the company's management. Furthermore, adopting IAS, which are characterized by flexibility and a multiplicity of ways and accounting alternatives and the dissemination of their application at the international level without taking into consideration the gaps that exist could open the area to manipulate of accounting information by exploiting the earnings management. Until the beginning of the 21st century, most studies that searched doesn't focused on the impact of earning management on the quality of accounting information, from this point the current study differentiate from previous research.

2. Literature Review

Earnings management is consider a bad signal because it decreases the reliability of financial statement information. Managers always used earnings management for basis that is not understandable. There is, however, a reliance on earnings management to convert inside information to a wide range of users, because the costs of exposure this information is often very costly. Many researchers have discuses this issue in developing countries, such as (Nugroho and Eko 2011; Joshua and Njeru 2016; Rudra and Bhattacharjee 2012). Nugroho and Eko (2011) showed that earnings management takes place in companies listed in the Indonesian Stock Exchange. In addition they found that audit committee didn't affect the use of earnings management, or detect it or limit it. Also Joshua and Njeru (2016) indicated that contracting motivations, such as bonus system, and regulatory requirements are positively related to earnings management. While Rudra and Bhattacharjee (2012) pointed out that firms that adopt International Financial Reporting Standards (IFRS) are more likely to smooth earnings when compared with those that do not. These conclusions may give confidence to regulators to think about the effectiveness of IFRS in reducing opportunities that result in using earnings management. Kassem (2012) stated that management's motives are considered the main driver for all fraudulent activities. Additionally, earning management has negatively effect on users' decision, because it doesn't offers the real reality for companies (Fanciful), this consistent with Julio and Yook (2016) who detected that earnings management does not improve investment decisions. Soheil and Sanusib (2015) considered agency conflict as one of the most important incentives for earnings management, and management having the capability to manipulate the financial statement. Also the most important reasons for earning management are opportunistic or informational. Consistent with Brad et al. (2009) who clarify the reasons for earnings management practices, as one of two reasons, the first is opportunistic and the second is informational, each of them has different implications. However, Roychowdhury (2006) found evidence that managers practiced manipulating for real activities to avoid reporting annual losses and suggesting price discounts to temporarily increase sales. Moreira and Pope (2007) suggested that companies which have bad news show higher earnings management (manipulation) than companies which have good news.

From other hand, Healy and Wahlen (1998) revealed many reasons for implementing earnings management, e.g., to influence the stock market, increase management compensation, reduce the likelihood of violating a lending agreement, and avoid regulatory intervention. Ruiz (2016) found out that earnings management effects negatively on user confidence regarding stock markets, which is consistent with Sanders' et.al (1996) result. Rani et al. (2013) stated that the main reason for applying earnings management is the incentive for compensation in addition to borrowing cost and the incentive to meet/beat targets/expectations and increase (decrease) regulatory benefits. On the other hand, Sandra (2012) investigated the relationship between corporate ownership structure and earnings management and the results showed that both managerial ownership and ownership concentration improve the quality of annual earnings by reducing the levels of earnings management. Abdul Rahman et al. (2016) asserted that earnings management techniques such as big bath are used by companies for different goals, e.g., stock market incentives, personal incentives, and political and regulatory motives. They discovered that using exact and correct accounting standards, responsible audit committee, corporate governance and awareness, and the ethics of the stakeholders play a critical position in decreasing earnings management.

Also, Perols and Lougee (2011) found that companies that apply earnings management are more likely to meet or beat analyst forecasts through inflated revenue than non-fraudulent firms. Although Gunny (2010) stated that earnings management aims to change the firm's underlying operations to boost current-period earnings. Both types of earnings management involve managers' attempts to increase or decrease earnings. However, one type affects operations and the other has no effect on operating activities. Also, Gunny (2005) examined the consequences of four types of real earnings management: (1) investing in R&D to boost income, (2) decreasing prices to improve sales in the current period and/or overproducing to reduce COGS, (3) improving the elements of selling, general, and administrative to improve income, and (4) change timing of the income recognition which will effect on income. in addition, she inspected the extent to which real earnings management can improve operating performance, and whether market participants (investors and analysts) guess the following decrease in company performance.

The experimental consequences show that earnings management tactics have an important negative impact on prospect performance. Additionally, it appears that investors recognize the future earnings implications, consistent with Kurniawan (2013) who state how earnings management effect significantly on the information asymmetry. Also Healy and Wahlen (1999) stated that the important factors for using earnings management are as follows; the first is capital market motivations, the second is based on contracting motivations, and the last incentive regarding regulatory motivations. Also, they discovered that companies could have an incentive to manage earnings upwards (to increase stock prices) or downwards (to lower stock prices). While Fattahi et al. (2014) detect there is no significant relationship between earnings management and value relevance of the accounting information. Additionally, Nahandi et al. (2011) revealed a negative relationship between earnings management and accounting conservatism. But (Kim and Sohn 2013; Bermejo–Sánchez et al. 2015) stated that real earnings management activities used to decrease the information quality.

From other hand, Wensheng and Jie (2002) detect the most drivers for applying earnings management, return to managers compensation, so they may use different tactics, to improve stock prices and receive gains from that reputation. Also one of the important results achieved by Strobl (2013) who explain the earnings management practices impaired financial reporting.

From the previous literature survey, It became clear that there was a lack of studies on the issue of how the earning management affects on the quality of accounting information, which in turn affects the users decisions, so there is a need for more studies to discover how earnings management practice have an effect on the quality of accounting information specifically in developing countries.

2.1 Concept and Motivations of Earnings Management

There are different concepts for earnings management. Earnings management is sometimes known as "cooking the books" Moss (2016). Furthermore Schipper (1989) defined it as a deliberate intervention in the financial reporting process to achieve private goals. Also, it could be defined as a conduct that is carried out by management to influence the cash flows that occur in income to address the deviations which are not normal, through the selection of certain accounting policies. It means that managers make financial transactions that would conceal the underlying value of the company or influence the allocation of resources. Furthermore earnings management could be applied to influence the accounting numbers by taking advantage of the flexibility allowed by the accounting policies and estimates practice.

According to the literature review regarding earning management, different methods could be used (Kothari et al. 2015, Dutzi and Rausch 2016, Siddharth Mohapatra 2011, Verbruggen et al. 2008), there are four categories used for earnings management: (1) specific accruals, that give managers the able to make judgments such as allowances for doubtful accounts, (2) cost allocation or income shifting, by modifying the accounting numbers related to cost centers which will have an effect on net income (Krull 2004), (3) disclosure management, where managers may disclose some positive information to the stakeholder, by disseminating the financial numbers in a certain way, and (4) real activities where managers have the ability to change numbers to give the wrong impression to stakeholders such as decreasing the prices. It is important to note that accruals management involves choices within IFRS that aim to cover or mislead true economic performance. Also, (Ruiz, 2016) classified the main reasons that drive and motivate earnings management can be grouped in the following into three categories: (1) contracting motivations, relating compensation and lending contracts, (2) capital market motivation, and (3) type of company. While Healy and Wahlen (1999) detect the following three categories: capital market motivations, contracting motivations and regulatory motivations is the main driver for earning management.

Campa and Camacho-Minano (2015) identifies the incentive for earnings management's arises from internal and external factors. so the management may use manipulate earnings, for different factors, the first factor contracting motivations, if they have debt contracts may affect negatively on the profitability of the company, in order to avoid the risk that may resulted from cancelation see (Sweeney, 1994; Dechow et al., 1995), moreover different researcher such as (Healy, 1985; Gaver et.al, 1995; Holthausen et.al, 1995; Shuto, 2007) attributing this practice of earning management to increase manager's compensation. While the second factor is related to capital market motivation for earnings management, through evaluate stocks by using information disclosed by the financial statements which possibly may generate incentives to manipulate the accounting information see (Healy and Wahlen, 1999). The third factor regarding capital market expectations which may play an essential factor to manipulate with companies results to avoid losses (Erickson and Wang, 1999; Myers, Myers and Skinner, 2007), or decreased profits (Glaum, Lichtblau & Lindemann, 2004) also opportunist motivation may play important role in manipulation by applying earning management to achieve self-benefits and the need to manage earnings significantly impact on the real position of an entity. Also efficiency motivation when the impact or change of financial statements shows the company in excellent position to achieve a balance between yield and degree of risk and to ensure the survival and continuity in the competitive market.

However, earnings management is practiced when managers apply activities that involve adjusting the timing, structuring actions, and/or financing transactions in a way to influence the output of the accounting system. According to Schipper (1989), earnings management is defined as the purposeful interference in the financial reporting process to gain specific goals, while the real earnings management is undertaken by timing investments or making financial decisions to modify reported earnings. Moreover, Rahman et al. (2013) defined earnings management as the accounting policies that are selected by management to make the earnings arrive to the expected level according to the stakeholders. Finally, earnings management is seeking to achieve the interests of the administration at the expense of shareholders (Yaping, 2006).

3. Research Methodology

3.1 Population and Sample

The study population consists of the relevant categories of accounting information users. The study sample included 200 users from six categories: financial analysts, bankers, investors, auditors, accountants, and academics. These categories were selected because have the knowledgeable and understanding of the earnings management practices. This makes them better able to answer the questions posed in the study tool. A questionnaire was distributed to gather the necessary information about the study issue. There were 168 questionnaires accepted for analysis, divided for six groups (28) questionnaires from each group which is represent the whole population and suitable for the generalization of the results (Sekaran, 2013).

3.2 Data Collection

The researchers used interpretive approach to explore the views of accounting information users (the six groups) who are covered in the study sample about the practice of earnings management in Jordanian shareholding companies. This approach is used to discover the methods and procedures of earnings management as well as the extent to which, earning management practices impacts on the quality of accounting information published and what suggestions for such practices. So the researchers used a structured questionnaire which prepared to achieve the study aims.

3.3 Design of the Questionnaire

The questionnaire has been planned and developed according to literature assessment using a Likert model, includes five values (5-1) which used extensively in social science studies, range from: strongly agree, to strongly disagree (Sekaran 2013). This method of data collection (the questionnaire) used when the responded number is huge, also to assertion receiving the opinions of respondents about the research subject. The questionnaires consist of two sections, the first section concerning the demographical information of respondents', such as current profession, experience, academic education and major. While the second section contain the questions that used to measures the respondents' images about the impact earning management on the accounting information quality. The researcher compute Cronbach's alpha for the questions which equal 0.87 indicate reliable instrument, in other words it's suitable for measuring the study issue (Streiner 2003). Regression and correlation was used to measure the nature association between independent variable and the dependent variable.

3.4 Theoretical Framework for the Study

The authority of decision-making process given to management through delegate this authority from shareholders, which enables management to exploit the flexibilities that found in accounting standards, generate a strong incentive to choose the methods of accounting and alternatives that would expand the management's personal benefit, currently or in the near future, which leads to different methods being selected among the accounting alternatives that satisfy management need. Which give the chances to using earning management, highlighted by the agency theory about the possibility of a conflict arise could result in maximizing management's utility rather than stakeholders. This is consistent with Christian et al. (2003) who said that considering earnings management can result a conflict between the managers of a firm (insiders) and its stakeholders (outsiders). Different method used for measuring earning management, For example Ahmadpour and Shahsavari (2016) use earnings persistence, accruals quality, and earnings predictability to measure earning management. all the previous studies used accruals manipulation as a proxy for measuring earnings management. There are still two accepted methods used in accounting to detection of earning management the first method is aggregate accruals method, and specific accruals methods. Therefore this study will use different variables to measure earnings management, depending on the following categories as a proxy of earning management: 1) specific accruals, (2) cost allocation or income shifting, such as (Krull 2004), (3) disclosure management, (4) real activities, also will measure the earnings management practice.

Independent variable **Dependent variables**

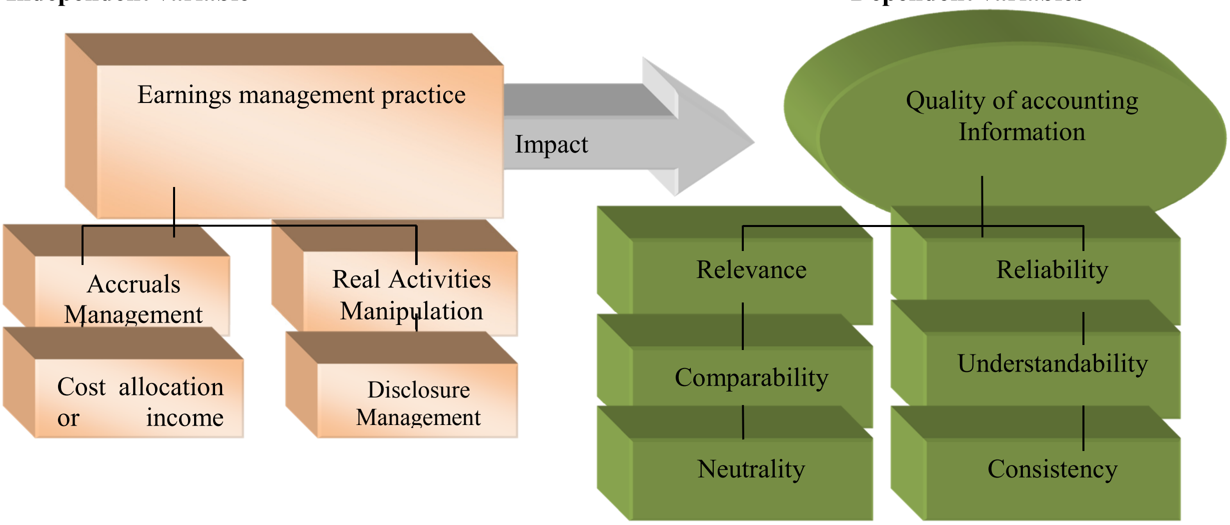

Figure1: Relationships between the variables

3.3 Techniques Used for Measuring Earnings Management

Based on the literature review, various methods of earning management (techniques) could be used, but the most successful and broadly used techniques of earning management could be classified in the following categories (Rahman et al. 2013) as illustrated in table (1)

Table 1: Techniques Used for Measuring Earnings Management

Type of technique	Examples	Type of earnings management
"Cookie jar reserve"	Estimations of future events, allowances for doubtful accounts	Accruals management
"Big bath" on the future	Estimated amounts for restructuring debt, impairment of assets and even closing down an operating segment	Accruals management
"Big bet" on the future	Impairment of continuing R&D costs against current earnings in the acquisition year, protecting future earnings from these charges	Real activities manipulation
"Flushing" the investment portfolio	Gains or losses from sales of trading securities reported in operating income and available for sale securities reported as other comprehensive income	Disclosure management
"Throwing out a problem child"	"The problem child" subsidiary may be "thrown out"	Disclosure management
Impairment or write-down of long-term operating assets	Estimations of the salvage value for different types of assets (tangible and intangible)	Accruals management
Sale/leaseback	Losses or profits from selling a long term asset (unrealized gain or losses) are regarded	Disclosure Management
Sink the ship	Profit or loss results from treasury share transactions are related	Disclosure Management
Operating versus non-operating Income	Operating and non-operating	
Signaling activities	Prices decreased	Real activities

4. Research Hypotheses

The first hypothesis:

The first hypothesis aims to determine the extent to which the practice of earnings management in Jordanian shareholding companies is used to manage profits.

There is no use of earnings management in the Jordanian public shareholding companies to control profits.

H0: $\mu \leq 3$ (for t-test)

H1: $\mu > 3$

The second hypothesis

There is no statistically significant impact between the use of earnings management and the quality of accounting information.

H0: $\beta = 0$ vsH1: $\beta \neq 0$ (for measuring the regression) H0: $\mu \leq 3$ (for t-test)

H0: $\rho = 0$ vs. H1: $\rho \neq 0$ H1: $\mu > 3$

The third hypothesis

The third hypothesis aims to explore the appropriate means to limit the spread of this phenomenon in Jordanian companies.

There are no statistically significant factors that reduce the practice of earning accounting information systems in Jordanian companies.

H0: $\beta = 0$ vrs H1: $\beta \neq 0$ (for measuring the regression) H0: $\mu \leq 3$ (for t-test)

H0: $\rho = 0$ vrs H1: $\rho \neq 0$ H1: $\mu > 3$

4.1 Quality of Accounting Information

The communication language between companies and users is accounting information (financial accounting reports), so it should be characterized by high quality. There is, however, the question is how to measure the quality of accounting information. Various researchers have used different methods to measure the quality of accounting information, which is the output of processing data that provide value and benefits for users (Susanto, 2008). According to Beaver (1989), the main goals of accounting information is to help users in the decision-making process, define the quality of accounting information by its usefulness and validity, and measure how useful the information is to users to make decisions and its degree of validity. Moses Bukenya (2014) used reliability (faithful representation), understandability, relevance, accuracy, and timeliness as variables to evaluate the quality of accounting information. In addition, Susanto (2013) identified different characteristics to measure the high quality of accounting information which were availability, completeness, compliance, efficiency, confidentiality, integrity, and effectiveness. Krismiaji (2010) measured the quality of accounting information by timeliness, reliablity, accuracy, understandability, completeness, and appropriateness. Beest et al. (2009) used the qualitative characteristics as a proxy to measure the quality of accounting information. Martinez-Ferrero (2014) applied and used faithfulness conveyed by the financial reporting process as a proxy for measuring the quality of accounting information. Hasan and Omar (2016) applied different variables to decide the quality of accounting information accrual models and value relevance models, which is consistent with Schiper and Vincent (2003).

There are many applied ways to measure the quality of financial reports, such as: (1) the value relevance approach (Hasan and Omar, 2016), (2) the credit relevance approach used by Moscariello et al. (2014), (3) the extent of earnings management practices for accruals quality (Zeghal et al., 2012; Martinez-Ferrero, 2014; Chen et al., 2010), (4) accounting quality and accounting conservatism used by Zeghal et al. (2012), and (5) the qualitative characteristics used by Kanakriyah (2016). While some researchers used more than one method, Abdallah (2013) used the following criteria to measure the quality of accounting information: appropriateness, credibility, accuracy, timing, importance, fulfillment, conservatism, and earnings management.

Also, Kartikahadi et al. (2012) discovered that the information that has the following properties is considered high quality information: understandability, relevance, reliability, and comparability. Furthermore, Wang and Strong (1996) identified the following characteristics as components of high quality reports: objectivity, believability, accuracy, reputation, value added, relevancy, completeness, understandability, appropriateness, timeliness, accessibility, consistency, representation, interpretability, and access security. Similarly, Hall (2011) defined the following as a characteristic of high quality information to compute the quality of accounting information: timeliness, relevance, accuracy, completeness, and summary. The International Accounting Standard Board (IASB) and the Financial Accounting Standard Board (FASB) have not specified the criteria for measuring the quality of financial reports. They have not offered a generally accepted technique for measuring the quality. Therefore, the researchers used the qualitative characteristics as an alternative to determine the quality of accounting information as follows: consistency, neutrality, faithful representation, reliability, understandability, comparability, and relevance.

5. Statistical analysis (Interpretation of the Results)

5.1 Stability Test

The stability test aims to measure the questionnaire's stability, which means the data collected by the tool (the questionnaire) which measured what was prepared for or suitable for the study purposes. The result of Cronbach's alpha test indicates α= 87% which determined that the questionnaire questions have an outstanding rate.

To investigate the first hypothesis the researchers used one sample t-test and descriptive analysis methods (Arithmetic Mean and Standard Deviation). Concerning the first hypothesis, which aims to explore the practice of earnings management in Jordanian public shareholding companies, the results are shown in the table 2.

Table (2) Results of Testing the First Hypothesis using the One Sample T-Test

Group	n	Mean	Standard Deviation	t-value	Sig
Investors	28	4.251	0.522	16.11	.000
Academics	28	3.839	0.320	13.241	.000
Auditors	28	3.695	0.499	6.245	.000
Accountants & Financial Managers	28	3.551	0.600	9.844	.000
Bankers	28	3.584	0.556	5.714	.000
Financial Analysts	28	3.687	0. 397	12.706	.000
Overall	168	3.772	0.447	22.454	.000

The data shown in table 2 are extracted from the study sample (the respondents). The respondents' answers give us a clear picture about the first hypothesis which was measured by questions Q1–Q7. Based on the results of the respondents, all sample groups believe that the management of the companies (Jordanian public shareholding) exercised earnings management with different techniques and multiple procedures at a high level at the mean = 3.772 and low standard deviation (0.447). However, taking those methods and procedures individually, the most common practice in their view is accrual accounting, and the least common was the paragraph concerning the use of big bath. This result can be attributed to the fact that companies provide reassurance to its shareholders and creditors (who provide the company with fund) to keep with them a good relation. And this is consistent with Subramanyam (1996) who detect that the stock prices tends to respond positively for information that published and thus discretionary accruals may effect on shares price. Because managers use earnings management sensibly, so users may using the accounting information to predict the potential future earning for a company that could be achieved to take the correct decision.

According to the second hypothesis which tries to discover the impact of applying earnings management (independent variable, x2) on the quality of accounting information (dependent variable, y2), this hypothesis was measured by question numbers Q8-Q18, see appendix A. The study used a simple regression test to detect the influence of earnings management (independent variable, x2) on the quality of accounting information through using the qualitative characteristic as substitute (proxy) for measuring the accounting information quality (the dependent variable, y2) at a significance level (0.05%) which indicates a confidence level (95%). Based on the results shown in table 3, the sig = 0.0 which means that the P value <0.05% which is less than 5% indicating a positive association between x2 and y2. Furthermore, the value of R clarifies a strong association between variable x2 and variable y2 which equals 78%. In addition, the t-value computed (6.551) is more than the t-table (1.96). This implies that the result is statistically significant, meaning that the use of earnings management certainly affects the quality of accounting information. In other words, table 3 shows that the application of earnings management has an effect on the quality of financial reports. All the respondents agree that the practice of earnings management have a negative effect on the quality of the published financial statements issued by Jordanian public shareholding companies.

Table (3) Findings of Simple Regression Regarding the Second and Third Hypothesis and T-test

Hypothesis Number	N	Regression equation	R	t-value	t-table	Sig	R^2%
Hypothesis 2	168	y2= 1.329+0.811x2	.781	6.551	1.96	.000	60
Hypothesis 3	168	y3= 0.6625+0.803x3	.762	8.427	1.96	.000	58

Based on the data in table 3, the values of significance (sig value) for the sample are less than 0.05, which leading the researchers to rejecting the null hypothesis and accepting the alternative hypothesis, which means that all the sample members recognize that the practice of earnings management in Jordanian public shareholding companies affects on the quality of financial statements published. The investigation specifies that the earnings management practice has a significant influence on the quality of accounting information; this is clear by the sig =.00 value (P value <0.05%) which is less than 5%, which means a positive correlation see table (3). However, to find out the views of the categories covered in the study sample on the appropriate means to curb the common practices in earnings management, the third hypothesis aims to explore the appropriate means to limit the spread of such phenomenon in Jordanian companies (earnings management). The questions used to measure this hypothesis are Q19-Q24 see appendix A. Based on the results shown in table 3, it is clear from p – value to refuse the null hypothesis since sig = .00 (P value <0.05%) which is less than 5%, which indicate to accept the alternative hypothesis. Furthermore, the value of R clarifies a strong association between variable x3 and variable y3 which equals 76%. In addition, the t-value computed (8.427) is more than t-table (1.96). This result provides a confirmation that all respondents admit that there is some procedure control that limits the mechanism of the application of earnings management, such as applied the principles of corporate governance, ensure the independence of external auditor, improve quality of auditing and application of a sanctions deterrent on external auditors that neglect the detection of harmful management profit.

6. Conclusion

According to practical and theoretical analysis, the most important conclusions can be illustrated as the following: *Firstly*, most companies resort to using earnings management techniques to meet shareholders wants. plus satisfy the financial analysts' expectations for the company's performance to increase their net income which in turn increases the managers rewards, which is consistent with Vasiliki et al. (2009). Also, to achieve management's personal interests that result from agency problems and to achieve the target improvement in performance, as a result they practice earnings management to achieve the profit target.

Secondly, there is a negative impact of using earnings management on the characteristics of accounting information which indicates earnings management has an important influence on the quality of accounting information (i.e., impairs the relevance, reliability, comparison, understandability, and consistency). In addition, it is noticeable that there is a high-level of knowledge from all accounting users that most Jordanian companies practice earnings management. This in turn decreases the confidence in the numbers of financial reports which influences the reliability of accounting information.

Thirdly, the operations of earnings management greatly affect the credibility of the financial statements. so depending on that the information in these statements becoming misleading and thereby loses quality, objectivity, and credibility properties, which in turn affects users' decisions.

Fourthly, earnings management is considered a form of accounting manipulation practiced without breaching the laws and standards, so an accountant uses his/her knowledge of the rules, laws, principles, and standards to manipulate figures recorded in the accounts and thereby make an excellent impression about the firm. Therefore, all aspects of corporate governance within Jordanian companies need to be supported, by activating various elements such as the board of directors and the audit committee and give them independence and freedom to help them carry out the tasks to diminish earnings management practice.

Fifthly, all categories have the same opinion, but the investors' category had the greatest belief that the administration exercised the methods of earnings management. Also, all groups covered in the sample agreed on the means (e.g., applied corporate governance) that could be used to limit the exercise of earnings management.

7. Recommendations

The most significant recommendations are to activate and accelerate the applications of corporate governance rules and the imposition of sanctions on companies that are doing earnings management operations in order to provide confidence and objectivity in the financial statements that are published in the financial market.

The critical need is to increase the effectiveness of the accounting and auditing profession in Jordan. Also, it is necessary to take measures to develop the competencies of accounting and auditing members who take responsibility to detect the exploitation of earnings management operations and then reduce them.

Moreover, there is a necessity to activate the supervisory role of the government authorities, such as the Ministry of Commerce and Industry and the Securities Commission, to verify the activation of corporate governance systems in Jordanian public shareholding companies. Also, the audit committees in companies should limit the practice to manage profits and thus achieve the best quality grades of accounting information and provide reliability and relevance characteristics.

The need is to raise awareness about the risks arising from the practice of earnings management and its negative results on the quality of accounting information. Companies need to increase the transparency and validity of the financial report.

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Appendix A (Questionnaire Questions)

No.	Question	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Part # 1 The use of earnings management in Jordanian companies						
1.	Companies use accrual accounting					
2.	Managers apply income smoothing					
3.	Companies apply cookie jar reserves					
4.	Companies defer supply expenses by delaying recording invoices					
5.	Companies recognize losses over the book with a view to clean up the books (big bath write-off)					
6.	Companies apply fictitious financial transactions within the scope of fraud					
7.	Companies sell more assets to achieve budgetary goals					
Part # 2 The effect of using earnings management on the quality of accounting information						
8.	Prepaying charges to decrease income may have an effect on the relevance of accounting information					
9.	Enlarging the reserve for inventory obsolescence reduces income which may have an effect on the quality of accounting information					
10.	Applying the big bath technique may have an effect on the reliability of accounting information					
11.	Using accrual accounting may have an effect on the comparability of financial reports					
12.	Using cookie jar reserves may have an effect on the relevance of accounting information					
13.	Applying for postponed billing may have an effect on the relevance of accounting information					
14.	The practice of earnings management may have an effect on the understandability of accounting information					
15.	The practice of earnings management may have an effect on the neutrality characteristics of accounting information					
16.	Earnings management may have an effect on the consistency characteristics of accounting information					
17.	Earnings management may have an effect on the reliability characteristics of accounting information					
18.	Earnings management may have an effect on the quality of accounting information					
Part # 3 The appropriate means to limit the practice of earnings management						
19.	Activation of corporate governance rules that limit the dominance of executives in corporate systems					
20.	Commitment to the necessary conditions to ensure independence of external auditor					
21	Improvement to the quality of auditing					
22.	Application of sanctions on executives and managers who engage in harmful earnings management on profits (to increase profit)					
23.	Application of a sanctions deterrent on external auditors that neglect the detection of harmful management profit					
24.	Removal of link between management contracts and profit achieved by the company					

Appendix B. Questionnaire Ingredients and Questions That Were Used to Measure Study Hypotheses

Questionnaire part	Hypothesis	Question numbers
Part 1	Measure the first hypothesis "There is no use of earnings management in Jordanian public shareholding companies to manage profits"	(Q1-Q7)
Part 2	Measure the second hypothesis "There is no statistically significant impact between the use of earnings management and the quality of accounting information"	(Q8-Q18)
Part 3	Measure the third hypothesis "There are no statistically significant factors that reduce the practice of earning accounting information systems in Jordanian companies"	(Q19-Q24)