

UNIVERSITY TEKNOLOGI MARA

**OPPORTUNISTIC BEHAVIOR IN MALAYSIAN
PUBLIC LISTED COMPANIES: THE
RELATIONSHIP BETWEEN EARNINGS
MANAGEMENT AND MANAGEMENT INCENTIVE**

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Dissertation submitted in fulfillment of the requirements for the degree of

Master of Accountancy

CANDIDATE'S DECLARATION

I declare that the work in this thesis/dissertation was carried in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledged that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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Abstract

This paper examines the relationship between earnings management and management incentive among public listed companies. The study uses a cross-sectional study where real activity manipulation on cash flow being used as proxy for earnings management. Data has been collected from 2010-2012 annual financial statements and DataStream of public listed companies in Malaysia. The study shows that earnings management techniques being used among the Malaysian public listed companies and its relationship with management incentive. Results indicate that management of Malaysian public listed companies use earnings management techniques in order to report positive performance of the company over the years. In addition to that result also shows that only free cash flow incentive has significant relationship with earnings management whereas the study fails to find any significant relationship between debt covenant and earnings management. Since there is little research on this area among Malaysian Public Listed Companies, this study will provide empirical evidence the use of earnings management and its relationship with management incentive.

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