

BOARD STRUCTURE AND EARNINGS MANAGEMENT: EVIDENCE FROM LISTED COMPANIES IN SRI LANKA

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Abstract

Effective corporate governance to oversee the financial reporting process is fundamental to preserve investors' confidence in the capital markets. Many international firms endured corporate failure as a result of ineffective and inefficient corporate governance and accounting malpractices. In Sri Lanka several large firms collapsed due to the poor corporate governance practices. This study aims to examine the influence of board structure on the degree of earnings management in selected listed companies in Sri Lanka. The multiple regression model was used to analyze the impact of the board structure on earnings management for a sample of 28 listed companies in Sri Lanka for the period of 2012 to 2019 and data have been collected for a period of 08 financial years from secondary sources of financial statements of listed Companies in Colombo Stock Exchange. This study found a positive influence of CEO duality on earnings management. The insights may also provide investors, economic analysts and regulators with early caution indicators of potential problems in a corporation regarding corporate governance failures and aid stakeholders in assessing the effectiveness and efficiency of the board structure and earnings management methods. The finding of this study will help in monitoring and controlling fraudulent earnings management practices existing in listed companies in Sri Lanka. This study is the initial research about the presence of earnings management practices of listed companies in Sri Lanka.

Keywords: *Board Structure, Corporate Governance, Earnings Management*