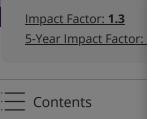
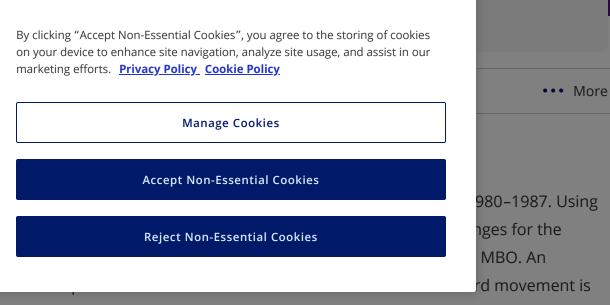
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Abstract

This study examines a different research sample are significate examination of pre-



systematically associated with pre-MBO earnings changes. Moreover, preannouncement declines in earnings are specific to MBOs. In the case of third-party takeovers, income did not decline in the preannouncement period. When this research design is applied to DeAngelo's (1986) sample, results consistent with earnings management are obtained. Taken together, the overall evidence favors the hypothesis that managers manipulated earnings downward prior to the MBO proposal. The potential benefit from earnings manipulation is estimated to be almost \$50 million on average for the sample firms.



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