


Impact Factor: 1.3

5-Year Impact Factor:

 Contents More

Abstract

This study examines a different research sample are significant 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.

By clicking "Accept Non-Essential Cookies", you agree to the storing of cookies on your device to enhance site navigation, analyze site usage, and assist in our marketing efforts. [Privacy Policy](#) [Cookie Policy](#)

[Manage Cookies](#)[Accept Non-Essential Cookies](#)[Reject Non-Essential Cookies](#)

Get full access to this article

View all access and purchase options for this article.

[Get Access !\[\]\(3342c215b2a8b663596a81468d5dc314_img.jpg\)](#)

References

Baron D. 1983. "Tender Offers and Management Resistance." *Journal of Finance* 38 (December): 331-342.

[Crossref](#)[Google Scholar](#)

Bartov E. 1993. "The Timing of Asset Sales and Earnings Manipulation." *The Accounting Review* 68 (October): 840–855.

[Google Scholar](#)

Chen K. C. W., Lee C. J. 1995. "Executive Bonus Plans and Accounting Trade-Off: The Case of the Oil and Gas Industry, 1985–86." *The Accounting Review* 70 (January): 91–111.

[Google Scholar](#)

DeAngelo H., DeAngelo L., Rice E. 1984. "Going Private: Minority Freezeouts and Stockholder Wealth." *Journal of Law and Economics* 27 (October): 367–401.

[Crossref](#)

[Google Scholar](#)

DeAngelo L. 1986. "Accounting Numbers as Market Valuation Substitutes: A Study of Management Buyouts of Public Stockholders." *The Accounting Review* 61 (July): 400–420.

[Google Scholar](#)

DeAngelo L. 1990. "Equity Valuation and Corporate Control." *The Accounting Review* 65 (January): 93–112.

[Google Scholar](#)

DeFond M. L., Jiambalvo J. 1994. "Debt Covenant Violation and Manipulation of Accruals." *Journal of Accounting and Economics* 17 (January): 145–176.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Foster G., Olsen C., Shevlin T. 1984. "Earning Releases, Anomalies and the Behavior of Security Returns." *The Accounting Review* 59 (October): 574–603.

[Google Scholar](#)

Guay J., Kothari S. P., Watts R. 1996. "A Market-Based Evaluation of Discretionary Accruals Models." Working Paper, Rochester, N.Y.: University of Rochester.

[Crossref](#)

[Google Scholar](#)

Hand J. 1989. "Did Firms Undertake Debt-Equity Swaps for an Accounting Paper Profit or True Financial Gain?" *The Accounting Review* 64 (October): 587–623.

[Google Scholar](#)

Hand J. 1990. "A Test of the Extended Functional Fixation Hypothesis." *The Accounting Review* 65 (October): 740–763.

[Google Scholar](#)

Haw I., Pastena V., Liliens S. 1990. "Market Manifestation of Nonpublic Information Prior to Mergers: The Effect of Ownership Structure." *The Accounting Review* 65 (April): 432-451.

[Google Scholar](#)

Holthausen R., Leftwich R. 1983. "The Economic Consequences of Accounting Choice: Implications of Costly Contracting and Monitoring." *Journal of Accounting and Economics* 5 (August): 77-118.

[Crossref](#)

[Google Scholar](#)

Jones J. 1991. "Earnings Management during Import Relief Investigation." *Journal of Accounting Research* 29 (Autumn): 193-228.

[Crossref](#)

[Google Scholar](#)

Kaplan S. 1989. "The Effects of Management Buyouts on Operating Performance and Value." *Journal of Financial Economics* 24 (October): 217-254.

[Crossref](#)

[Google Scholar](#)

Kieschnick R. 1989. "Management Buyouts of Public Corporations: Analysis of Prior Characteristics." In *Leveraged Management Buyouts: Causes and Consequences*. Amihud Y., pp. 3-43. Homewood, Ill.: Dow-Jones Irwin.

[Google Scholar](#)

Longstreth B. 1986. "Management Buyouts: Are Public Shareholders Getting a Fair Deal?" Remarks to the International Bar Association, Toronto, Canada.

[Google Scholar](#)

McNichols M., Wilson G. P. 1988. "Evidence of Earnings Management from the Provision of Bad Debts." *Journal of Accounting Research* 26 (Supplement): 1-31.

[Google Scholar](#)

Michel A., Shaked I. 1986. *Takeover Madness: Corporate America Fights Back*. New York: John Wiley & Sons.

[Google Scholar](#)

Perry S., Williams T. 1994. "Earnings Manipulation Preceding Management Buyout Offers." *Journal of Accounting and Economics* 18 (April): 157-179.

[Crossref](#)

[Google Scholar](#)

Schipper K. 1989. "Earnings Management." *Accounting Horizons* 3 (December): 91-102.

[Google Scholar](#)

Teoh S. H., Wong T. J., Rao G. R. 1994. "Incentives and Opportunities for Earnings Management in Initial Public Offerings." Working Paper. Ann Arbor: University of Michigan.

[Google Scholar](#)

Wu Y. W. 1994. "Management Buyouts: A Test of the Management Manipulation Hypothesis." *Proceedings of the First (1994) International Conference on Contemporary Accounting Issues* (January): 86-88.

[Google Scholar](#)

Similar articles:



Restricted access

[Evidence for the Existence of Downward Real-Activity Earnings Management](#)

Show Details



Restricted access

[The Effect of Management by Objectives on Organization Results](#)

Show Details



Free access

[Demystifying Earnings Management Through Accruals Management: An Indian Corporate Study](#)

Show Details

[View More](#)

Sage recommends:

SAGE Knowledge

[Management by Objectives \(MBO\)](#)

Show Details

SAGE Knowledge

Case

[Gyermely Zrt. Innovation in an Agricultural Cooperative](#)

Show Details

SAGE Knowledge

Entry

[Acquisitions, Takeovers, and Mergers](#)

Show Details 

[View More](#)

You currently have no access to this content. Visit the [access options](#) page to authenticate.

[Download PDF](#)

Also from Sage

CQ Library

Elevating debate

Sage Data

Uncovering insight

Sage Business Cases

Shaping futures

Sage Campus

Unleashing potential

Sage Knowledge

Multimedia learning resources

Sage Research Methods

Supercharging research

Sage Video

Streaming knowledge

Technology from Sage

Library digital services