

# Choice of auditors and earnings management during the Asian financial crisis

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## Purpose

This study sets out to examine the effect of the choice of auditors in constraining earnings management within a rule-based reporting framework during the Asian financial crisis.

## Design/methodology/approach

Using the iterative seemingly unrelated regression methodology, 383 firm-observations of service-oriented listed companies in Singapore are analysed.

## Findings

The results show that service-oriented companies engage in income decreasing earnings management during the crisis period. More importantly, the results indicate that only the Big-6 firms are able to significantly constrain the earnings management of managers of such companies.

## Practical implications

The ability of Big-6 firms to constrain earnings management is perceived to add credibility to the quality of reported earnings, and hence contributes to the competitive advantage of the Big-6 firms in the market for auditing services.

## Originality/value

The evidence contributes to the literature on corporate governance and the competitiveness of the market for audit services in the context of an economy-wide financial crisis from an Asian perspective.

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**Keywords:** [Auditing](#), [Asian studies](#), [Financial performance](#), [Earnings](#), [Corporate governance](#)

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