URN etd-0407109-183723-1932
Author Chen Ching Fang
Author's Email Address No Public.
Statistics This thesis had been viewed 55 times. Download 0 times.
Department
Year 2004
Semester 1
Degree Master
Type of Document Master's Thesis
Language zh-TW.Big5 Chinese
Title The Construction of Financial Warning Model- A New Approach by Including Earnings Management and Corporate Governance Variables
Date of Defense 0000-00-00
Page Count 95
Keyword
earnings management
corporate governance
the financial early warning model
probability of financial distress

Abstract
In contrast to the previous modelling of financial distress for firms using only accounting variables in financial statements, this study focuses on the effects of accounting information, orporate governance variables and earnings management index on the probability of business financial distress. Based on the literature, the research variables used in the model are accounting information, corporate governance variables and earnings management index. A sample of 63 companies of financial distress and 126 healthy companies for the matching purpose is used in the analysis. All sample froms are listed on the Taiwan Stock Exchange during the 1998-2004 period. This study use the multiple-regression to examine the effects of accounting information and corporate governance variables on earnings management's index. And the logistic regression is used to predict the probability of financial distress.
The results reveal that, for the impacts of earnings management, turnover ratio of total assets, earnings per share, firm's size of controlling variables and the dummy variable for financial distress have significantly positive effect on earnings management index at the 1% level. The return on total assets before interest and tax and the size of board of directors have significantly negative effect on earnings management index at the 1% level. For the corporate governance (model 2), the debt ratio of controlling variables has significantly positive effect on earnings management index at the 1% level.
For the logistic regression analysis, the dependent variable is dummy variable for financial distress, which represents the connection between the probability of firm's occurred financial distress and the accounting information variables, corporate governance variables and earnings management index. For the earnings management index, discretionary accrued items have significantly positive effect on the probability of financial distress at the 1% level. In accounting information variables, the ratio of cash flow has the most significantly negative effect on the probability of financial distress. In corporate governance variables, the pledged ratio of shares of directors and supervisors has the most significantly positive effect on the probability of financial distress.
For the accuracy of the prediction of financial distress, this research finds that the financial early warning model constructed by accounting information, corporate governance variables and earnings management index has the highest predictive power of accuracy. The average estimated probability of financial crisis for the distressed companies in the sample is 95.24%, 84.13% and 71.4.% for one year, two years and three years before the financial distress, respectively.

The contribution of this study is as follows. Relative to the traditional modeling of financial distress for corporations using only accounting information, this study finds that the predictive accuracy of the models of financial distress can be greatly improve acter adding corporate governance variables and earning managemwnt index.
Advisory Committee Hsu Hsinan - advisor

Files No Any Full Text File.
Date of Submission 2005-01-01