HOW CEO GENDER AND COMPENSATION AFFECT EARNINGS MANAGEMENT

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CEO compensation structure can affect earnings management. CEOs who are not compensated exhibit higher earnings smoothing and earnings aggressiveness. Part of the reason could be uncompensated CEOs often time are shareholders of the company which by itself cause elevated earnings smoothing behavior. A balance compensation structure without excessive stock compensation can help deter earnings management.

Female CEOs are more likely to engage in earnings smoothing and cash flow management. In certain situations, female CEOs can be extremely misleading about company performance. Gender does play a role in earnings management.

CEO also serves as BOD chair encourages earnings management in every category and should be carefully considered.