Faculty of Commerce
Accounting & Auditing Department

Issues of Valuing Goodwill as Throughgate of Practicing Earnings Management from the External Auditor's Perspective

"An Empirical Study"

A Thesis Submitted in Partial Fulfillment of the Requirements of Master Degree in Accounting

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بِسْمِ ٱللَّهِ ٱلرَّحْمَٰنِ ٱلرَّحِيمِ

﴿ وَقُلِ اعْمَلُوا فَسَيَرَى اللَّهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ ﴾

صدَقَ الله العَظِيم

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Dedication

To my beloved family who always sacrifice, advise, encourage and support me.

Abstract

Issues of Valuing Goodwill as Throughgate of Practicing Earnings Management from the External Auditor's Perspective "An Empirical Study" - *Master Thesis (2017)*

This study aims to explore the auditors' point of view towards goodwill accounting under International Financial Reporting Standards (IFRS). The researcher surveyed auditors to find out if they think that goodwill impairment according to IFRS allows for earnings management or not and also, investigated the effect of background factors behind their opinions. Empirical Research is provided through field study and applied study. The field study is carried out through the questionnaire. While, the applied study is implemented on companies reporting goodwill, listed in the Egyptian stock exchange and audited by both big four and Non-Big four auditing firms who answered the questionnaire.

In the field study the researcher used explorative factor analysis which indicated two different lines of thought. Factor 1 is a line of thought that regards management's behavior as opportunistic in goodwill write-offs. Factor 2 is the acceptors of goodwill accounting according to IFRS. Also, the researcher used logistic regression where the most variables which affect the auditors' opinion significantly are the professional certifications, Years of experience& the auditor's experience in goodwill calculation. While the applied study, the researcher used the multiple regression method which provided evidence that support the hypotheses of the study. It is found that there is a positive relationship between valuation issues and earnings management. Also, there is positive a relationship between executives' incentives and earnings management. In addition, there is a positive relationship between manipulative behavior and earnings management. Finally, there is a positive relationship between CEO tenure and earnings management.

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