

The Relationship between Board Characteristics and Earnings Management: Evidence from Sri Lankan Listed Companies

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Purpose: This paper aims to examine the impact of board characteristics on earnings management in Sri Lanka during the period from 2012-2015.

Design/methodology/approach: This paper uses ordinary least squares regression (OLS) to examine the effect of board on earnings management for a sample of 160 listed firms in Sri Lanka from 2012-2015. Kothari, Lenon and Wesley (2005) performance adjusted discretionary accrual model used to measure the earnings management by using the discretionary accruals.

Findings: This paper finds a significant relationship between board size, board composition, board financial expertise and board meetings and earnings management of the firms. Thus effective board of a firm is contributing to enhance the financial reporting quality and transparency.

Practical implications: The findings based on this study provide useful information for regulators and the practitioners in the country to understand the significance of board characteristics of firms to constrain the earnings management and enhance the financial reporting quality and transparency. Further results provide useful information to the investors and other stakeholders in evaluating the existence of effective board characteristics in advance to put the confidence of the financial reporting quality and make their decisions.

Keywords: *Board Characteristics, Corporate Governance, Earning Management, Financial Reporting Quality*

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