ABSTRACT
This paper attempts to validate earnings management by manufacturing firms in India by applying revised versions of two discretionary accruals measures viz. the modified Jones model (Dechow et al., 1995) and the modified Jones model with lagged return on assets (ROA) as specified by Kothari et al. (2005). Discretionary accruals have been widely used in literature as a proxy for earnings management. Our aim has been to compare the nature of association between corporate governance and earnings management as we consider two different discretionary accruals measures while drawing up the relationship.

The study clearly indicates that consideration of different discretionary accruals measures while searching for the linkage between corporate governance and earnings management puts forth major disparities in the findings. Thus, the researchers, policymakers and the like, need to consider the discretionary accruals measures carefully to draw accurate inferences on the linkage between corporate governance and earnings management.

Keywords Earnings Management; Total Accruals; Discretionary Accruals; Corporate Governance Mechanisms; Panel Data Approach