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THE IMPACT OF EARNINGS MANAGEMENT THROUGH REAL ACTIVITIES ON THE COMPANY'S MARKET VALUE

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ABSTRACT

This study aims to analysis and investigate the impact of the earning management through the real activities (REM), on the market value of the company. The study depends on a sample of 384 respondents and through a well designed questionnaire to analyze the relationships between the variables of the study and through the employment of SPSS. The analysis of the data collected reveal that, there is a strong positive statistical relationship Between the independent variable of the value of the Businesses as R was 0.924 and The coefficient of determination R^2 was 0.854 which means that the earning management is responsible to interpreted 85.4% of the changes in the company's value. The Non financial activities affect strongly than the financial activities on the company value as The R of the Non-financial activities was 0.916 while The R of the financial activities was 0.91. This means that, this analysis accepts the original hypothesis which states that, there is a strong and positive significant relationship Between the Company's market value and the earning management.

KEYWORDS: earning management, Real activities (REM), accruals (AEM), Company's market value

1 INTRODUCTION

Net profit serves as a critical metric for evaluating a company's performance and management efficiency. It indicates how well resources are utilized and how decisions align with profit targets. Owners prioritize management's capability to achieve desired profits and sustain financial health. Creditors and lenders find assurance in the company's ability to meet obligations as per contractual terms. Investors, both current and potential, rely on net profit for informed investment choices and to meet analyst expectations, as it reflects the company's performance and growth potential. To enhance profits, management often leverages the flexibility in accounting standards, employing various techniques for data processing and financial statement preparation. This can involve increasing sales through discounts or reducing discretionary expenses, such as research and advertising, by manipulating expense recognition and recording periods. Moreover, management may inflate production levels to influence fixed costs per unit, leading to earnings management (Al-Absy *et al.*, 2021). This involves strategic manipulation of accruals or real activities to influence operating cash flows and net profits, often resulting in financial reports that do not fully reflect the company's true performance. Research has established a connection between earnings management (via accruals or real actions) and operating cash flows, as well as its effects on company objectives, including value, liquidity, and share price. Studies also explore the influence of variables like company size and management compensation on earnings management practices. However, a crucial gap lies in understanding how earnings management through real activities affects the relationship between operating cash flows and company value, an area the current research aims to illuminate. (Alfadhel & Jarraya, 2021)

Problem of the study

"This study focuses on the analysis of how earning management through real activities; can affects on the value of the firms. The measurement of either sales manipulation practices, overproduction, and discretionary expenditure manipulation will be the basic indicators of the real activities. This means that, the problem of this study can be "The investigation of the impact of earning management through real activities on the Company's market value".

Questions of the study?

This study is conducted to answer specific question which is "what is the impact of the earning

management through the real activities on the market value of the firms?" To answer this question, there are multiple sub-questions, this study tries to answers them. These questions are:

→ what is meant by earning management? and what this management can be executed or measured?

→ What is meant by the firm's market value? and How the market value of businesses can be measured?

→ How can the real activities can be assessed or measured?"

The importance of the study:

The scientific or academic importance; The scientific importance of this study is derived from the scarcity of such studies on the impact of the real activities in earning management on the diversified business results especially for the firm's market value which affect significantly on all the stakeholders; parties especially for owners; and investors in the stock market.

The practical importance: The practical importance of this study is derived from the significant and important recommendations and suggestions that can be developed to those stakeholders and interested parties for the diversified financial data about the company's performance, to improve the quality of their decisions and improve the awareness and knowledge of the decision-makers in any business about the negative consequences of the earning management through real activities and this will be based on the results acquired from this study.

The objectives of the study:

This study is expected to achieve the following objectives; → understand and analyses the meaning and different practices of earning management through real activities; and the impact of these real activities on the firm's value. → understand and analyze the meaning of firm's value and the different methods commonly used to determine this value.

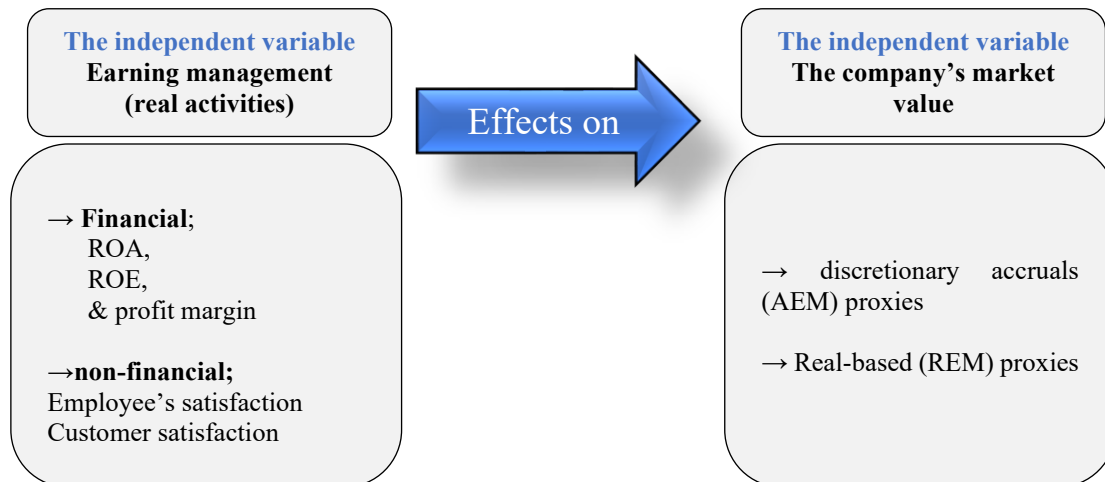
The study Variables:

Earning management: earning management can be defined as the intended or deliberate intervention by the management of the business in the financial data issued or displayed via the financial reports to conceal the information to influence the data of the net profit; to fit the management's preferences and goals.

- Earning management can be executed through either the flexibility provided by the GAAP; Generally accepted accounting principles; or by the actual operations and transactions that can

- affect the economic activities of the firm.
- There are multiple factors that can affect significantly on the earning management, these factors are:
 - profitability of the firm
 - Size of the firm
 - History of the firm in the industry
 - BOD Size

- The term of the executive directors' tenure
 - Duality of the role of CEO
 - Independence of BOD
 - Nature of the Company's business
 - shareholders' equity
 - Competitiveness of the firm
 - Size of the Debts"
- The theoretical framework (the model) of the study



Source: the imagination of the researcher based on the literature review

2 METHODS USED TO MANAGE EARNINGS

Accrual-Based Earnings Management (AEM) involves utilizing accounting standards' discretionary power to achieve specific management objectives,

These accounting methods and estimates influence the net accounting profit determined on an accrual basis, allowing management to select among various accounting alternatives.

Accruals refer to the portion of net profits resulting from changes in provisions and receivables, rather than merely the balance sheet's accumulated figures. Stakeholders rely on the accrual-based net profit figure for vital information that aids in decision-making, thus serving as a key metric for performance evaluation and management efficiency. This net profit impacts share prices and helps guide investment choices for both current and potential investors (Al-Shattarat, 2021)

The accrual accounting basis is widely accepted in financial reporting, addressing issues related to timing and mismatches that can arise with cash accounting.

While the accrual basis is recognized as fairer than the cash basis, it is still susceptible to misuse by managers who may manipulate profit figures. The accrual basis necessitates recognizing revenues and expenses within a reporting period, irrespective of cash transactions, which requires adjustments and

some estimations that management can control, thereby affecting long-term profit goals

Numerous studies categorize accrual-based profits into mandatory and discretionary accruals. Non-discretionary accruals represent the obligatory component of these earnings derived from standard accounting practices, while discretionary accruals involve management's flexibly applied accounting choices to manipulate reported profits. Natural accruals are the balances generated automatically by a company's business operations and external conditions, independent of management influence, such as deferred revenues and accrued revenues. (Bansal et al., 2021)

Discretionary accruals, in contrast, arise from management's adjustments to accounting estimates allowed by standards, influencing metrics like the useful life of assets or provision estimations. According to findings from Kassamany (2017), Zhao (2017), and Waweru (2018), discretionary accruals reflect management's intentions – positive balances suggest a push for higher profits to meet targets, while negative accruals indicate a strategy to downplay profitability. (Mahmoud et al., 2023)

The accrual-based earnings management framework operates using two strategies: one involves reprocessing accounting estimates (e.g., doubtful debts and asset life assessments), while the other manipulates the timing of revenue and expense

recognition, which can artificially boost the net profit reported. Various models exist to detect earnings management using accruals, including those focusing on total accrual stability or single accrual types

Meanwhile, the field of real earnings management (REM) gained traction following Roychowdhury's (2006) study, which showcased how managers employ operational, investment, or financing decisions to manipulate profits disclosed in financial reports. (Ratnaningrum, 2023)

Earnings management through actual activities contrasts with accrual-based methods in several key ways. Auditors typically detect accruals-based earnings management during audits, while managers oversee actual activities. The use of certain accounting practices increases legal and reputational risks, drawing scrutiny from regulatory authorities. Recent international legislation, particularly the Sarbanes-Oxley Act (SOX) of 2002, has tightened accounting standards to curb manipulative earnings practices. (Malaihim et al., 2022)

Additionally, the timing for employing these earnings management techniques differs; accrual-based methods are typically used at the financial period's end, which poses challenges in meeting analysts' expectations or specific managerial goals. In contrast, real-activity management allows for more flexibility throughout the accounting period, facilitating the attainment of desired outcomes. There is a declining trend in the flexibility of accounting methods, and management based on actual activities can enhance operating cash flows, enabling companies to fulfill obligations. Research has shown that the enactment of Sarbanes-Oxley increased the prevalence of real-activity earnings management, while accrual-based manipulation was more common prior to the law's implementation. Companies facing negative consequences from earnings manipulation often did so through accrual-based methods. Studies indicate that accrual-based earnings management exploits estimates in established accounting standards, while real-activity earnings management involves altering earnings by making strategic decisions regarding core business functions – such as boosting sales, cutting costs, and increasing production. This distinction highlights the operational implications and potential risks associated with the different earnings management approaches. (Awuye & Aubert, 2022)

Market value of the firms. This means the evaluation of the real or actual financial value of a specific firm based on multiple factors and determinants such as: (Liu et al., 2023)

- The nature of the business
- The expected profitability to be achieved
- The degree of competitiveness in the market or industry
- The economic condition
- The Debt ratio: assets employed
- Cash flows

Means to compute the value of the firms: There are multiple techniques used to determine the value of any business, but the most common means are:

- P/E ratio: which can be conducted through dividing the current prices of the shares or the profitability of the shares $P/E = \text{Current prices} / \text{EPS}$
- Asset-Based Valuation: According to this means, the diversified assets; financial and non-financial that owned by the firms and deduct all the debt to reach the Net assets of the firms $\text{Net assets} = \text{Total assets} - \text{Debts owned}$ " (Adamczyk & Franek, 2022)

Discounted Cash Flow: under this method the value of the company can be computed through the evaluation of the expected future cash flows that the company can generate and convert these flows into the current present value through adequate discount rate. (Roychowdhury, 2006)

Other means: Besides all these monetary or other financial means, there are other means to compute the value of the business such as the trademarks, the customer loyalty or satisfaction, and the company's reputation & goodwill. (Saad et al., 2025)

2 LITERATURE REVIEW

The study of Adamczyk (2022) "The impact of earning management on the value of companies. The role of ownership structure". The study aimed to analyze the relationship between the earning management and the Company's value, through the study on the diversified ownership structure. The study depended on a sample of 631, firms not registered in the non-financial in the Warsaw Stock Market. The study covered the period of 2013-2020. The analysis depend on panel data which reveals that there is a statistical relationship between earning management and the value of firms. The study also concludes that there is negative statistical relationship for firms without a majority direct investors.

The study of Siladjaja (2019) "The impact of earning management on market earning value; The earning management on market earning value; The crucial management on market earning value; The study

seeks to assess the ability of auditors to discover & detect earning management after publication period. The study depend on aggregated observation (2560) and covered 2003 approximately long period (From 2001 to 2017) and through the purposive sampling, which depend on the annual financial reports. The study concluded that, the majority of firms conducted earning management and through the differentiation between the positive income accruals. the discretionary accruals have a negative impact on the market value of the firm; on the other hand, when financial reports characterized with a high quality data and greater transparency, this will affect positively on the investors' evaluation and the potential estimation for the future become more accurate.

The study of Mahmoud (2023) "The relationship Between earning management and credit ratings and their impact on firm performance." Evidence from Egyptian firms. The study aims to study the relationship between the earning management (EM) and credit rating (CR) and their impact on the firm's performance (FP) the study Based on a sample of Egyptian firms for one year (136 firms) and through the employment of SEM (structured equation modeling) & OLS (Ordinary Least Square). The analysis reveals that there is a statistical and significant negative relationship between the EM & CR and the impact on FP, especially when the performance of the firms was measured through the profitability indicators & financial leverage.

The study of Malahim (2022) "The impact of earning management practices on the market value of industrial companies listed on the Amman Stock exchange: evidence from Jordan". The study aimed to study the impact of EM on the value of the Jordanian industrial firms listed in the stock market between 2018-2019. The analysis depends on the discretionary accruals and through the modified Jones model & Tobins' q model & through the employment of STRATA, the results revealed that EM has a negative impact on the value of the firm; on the other hand, financial leverage has a negative statistical significant impact on the value of the firms. And Both the size and age of the firm has a Small positive impact on their value.

The study of Saad (2023) "Investigating the impact of earnings management on stock liquidity and its effect on capital structure." Evidence from Egypt. The study aimed to assess the impact of EM on the capital structure & assess the moderation impact of the EM on the capital structure and the liquidity of the stocks. The study depended on a sample of 94 non-financial firms listed on the stock market and

through a diversified 564 observations from 2015 to 2021. The analysis reveals that there is a negative statistical relationship between EM & liquidity of the shares and similar negative relation between the liquidity of the shares & capital structure. Finally, the study concluded that there is a negative relation between the EM & the capital structure and this relation is an indirect relation through the moderating role of the liquidity of the shares.

The study of Ratnaningrum (2023) "The role of Real earning management in the Value Relevance of accounting information in Indonesia." The study investigates the impact of real earnings management (REM) on the value relevance of accounting information pre- and post-IFRS adoption. It uses a sample of 230 firm-year observations from manufacturing companies listed on the IDX, analyzing abnormal cash flows, production costs, and discretionary expenditures as proxies for REM. Findings indicate that before IFRS adoption, companies practicing REM exhibited higher earnings value relevance and lower equity book value relevance compared to those that did not. However, post-IFRS adoption, REM showed no significant effect on the value relevance of earnings or equity book value. This suggests that while investors perceived earnings as indicative of managerial performance prior to IFRS, this perception diminished after the standard's adoption, indicating a shift in investor interpretation of financial performance.

The study of Ali (2021) "Real earnings management and stock returns: moderating role of cross-sectional effects". The study investigates the impact of real earnings management (REM) on cross-sectional stock returns, factoring in market, size, value, and momentum effects. It analyzes data from 3,085 Bombay Stock Exchange listed stocks over twenty years (2000-2019). REM is measured using Roychowdhury's (2006) metrics, focusing on operating cash flows, production costs, and discretionary expenditure. Results reveal that investors view downward REM as a risk, leading to higher stock price discounts, while upward REM is positively perceived, resulting in stock retention even at lower returns. These findings inform managerial strategies, highlighting the varying weight investors assign to different REM forms based on risk perception. The study pioneers examining REM's association with stock returns amid cross-sectional effects.

The study of Al-Absy (2021) "The association between real activities and accruals earnings management in Malaysian listed companies". This

study examines the relationship between real activities earnings management (REM) and accruals earnings management (AEM) among 300 listed Malaysian companies with the lowest positive earnings from 2013 to 2015. It employs three AEM proxies: the Jones Model, Modified Jones Model (MJM) by Dechow et al., and MJM by Kasznik, while using Roychowdhury's aggregate value for REM. A random effect panel data regression tests whether AEM and REM act as complementary or substitute techniques. Results reveal a significant positive relationship, supporting the complement hypothesis. Findings indicate joint use of both techniques in earnings management, carrying implications for policymakers, regulators, investors, and practitioners, especially in Malaysia, concerning the extent and interplay of AEM and REM practices. The study of Awuye (2022) "The impact of leverage on earnings management and the trade-off between discretionary accruals and real earnings management. This research examines how leverage influences earnings management in firms across European countries, focusing on the choice of management methods by managers. Through multiple panel regressions, findings reveal that while leverage limits discretionary accruals, it encourages a shift to real earnings management in high-leverage scenarios. Overall, leverage positively affects total earnings management and moderates the selection between discretionary and real approaches. This study expands existing literature by being the first to analyze the overall impact of leverage on earnings management and the dynamics between the two methods utilized

by firms under varying leverage conditions.

Comment

The current study agrees a lot with the previous studies in its expectation about the negative impact on the earning management especially through the real activities on the market value of the firms. But the study will be allocated to investigate this relationship in the Palestinian economy due to the great shortage and scarcity of the such studies in the Palestinian economy.

Study methodology and results

The analytical techniques applied for statistical evaluation are as follows:

The chapter statistically analyzes the data gathered from the research sample, using the statistical program for Social Science (SPSS). The statistical analysis techniques include the following:

1. Cronbach's Alpha to test the reliability of questionnaire used
2. Descriptive statistics
3. Mean, Standard deviation (STD)
4. Pearson correlation coefficients
5. Simple linear regression
6. Multiple linear regression

Reliability Analysis

In this study, reliability of each scale has been tested through Cronbach's alpha to identify the internal consistency of the scale, The alpha coefficient value depends on the number of items on the scale. In general, reliabilities less than 0.6 are considered poor, the 0.7 range, accepted, and over 0.8 good

Table number (1) Cronbach's Alpha Coefficient for the main dimensions

The dimension	Cronbach's Alpha	No. of Statements
The dependent variable: The company market value	0.893	16
The independent variable: Earning management	0.963	16
All the dimensions	0.927	32

Table (1) summarizes the reliability test results for the questionnaire dimensions. All of the dimensions show an alpha coefficient equals 0.939, this result indicates that the research dimensions will give the same results if re-applied to the same sample and test

stability using Cronbach alpha coefficient, that means that the dimensions of the survey have good reliability.

The sample description

Table No. (1) shows the distribution of the sample according to demographic variables.

		Frequency	Percent
Current position	Executive Management	82	21%
	Financial Department	120	31%
	Accounting Department	88	23%
	Investor Relations	61	16%
	Other	33	9%
years of experience	Less than 3 years	42	11%
	3-5 years	155	40%
	6-10 years	132	34%

	More than 10 years	55	14%
Educational Level	Bachelor's degree	250	65%
	Master's degree	50	13%
	PhD or higher	41	11%
	Other	43	11%
Total		384	100%

Table No. (1) reflects the demographic profile of the sample selected to be studied, providing useful feedback on the respondents' representativeness as well as diversity, whereas for Current Position, the sample is distributed fairly evenly across the organization's important functional areas. The largest percentage of respondents is in the Financial Department at 31%, followed by the Accounting Department at 23%, Executive Management at 21%, and Investor Relations at 16%. There is another group (9%) with other titles, showing an evenly distributed number of titles that can be used for financial and operational decision-making. Professional experience is further split in the 3–5 years category (40%), with the 6–10 years category following closely at 34%. The most inexperienced category (less than 3 years) is represented by 11% of the sample size, while those with more than 10 years of experience

constitute 14%. This distribution suggests that the sample consisted of mid-careerists, and therefore would be most likely to have a balanced perspective about recent as well as established company practices, A majority of the respondents (65%) hold a Bachelor's degree, which is typical academic qualification in corporate setups. 13% of the respondents possess a Master's degree, and 11% possess a PhD or higher. Another 11% of them fall into the category "Other" and are possibly certifications or specialized courses.

Analysis of the dimensions: -

For analysis of the questionnaire statements, we depend on the mean and standard deviation for each statement.

1. Descriptive Statistics for the Earning management.

Table (3) Shows mean Std. deviation, the rank for (Earning management)

N	Statements	Mean	Std. Deviation	Rank	Degree
1	The company's Return on Assets (ROA) is a correct representation of its operational efficiency.	3.78	0.788	2	High
2	Return on Equity (ROE) is a correct representation of the company's profitability to shareholders.	3.76	0.824	3	High
3	Its profit margins are tightly managed to represent good financials.	3.69	0.826	6	High
4	Its measures of financial performance are always presented in accordance with industry standards.	3.69	0.810	7	High
5	Its financial activities are transparent and well-prepared to be presented to stakeholders.	3.68	0.794	8	High
6	There is evidence of active management of ROA and ROE to meet goals.	3.79	0.789	1	High
7	Profit margin patterns are utilized to guide strategic decisions.	3.70	0.770	5	High
8	The company does not manage ROA, ROE, or profit margins to influence opinion.	3.72	0.807	4	High
First sub dimension: Financial Activities		3.73	0.690	1	High
1	Employee satisfaction is continuously tracked and taken into consideration in planning the business.	3.76	0.801	1	High
2	The business willingly seeks employees' opinions to improve the workplace environment.	3.72	0.799	5	High
3	There is a need for customer satisfaction as a measure of outcome.	3.74	0.773	2	High
4	Guidelines for handling customer complaints and feedback are well established.	3.64	0.833	7	High
5	Employee engagement drives overall business performance positively.	3.73	0.816	3	High
6	Customer loyalty is attributed to the commitment of the business to delivering services.	3.63	0.851	8	High
7	Non-financial measures (e.g., satisfaction scores) are published alongside financial results.	3.64	0.842	6	High
8	Its reputation is defined by its employee and customer satisfaction emphasis	3.73	0.845	4	High
Second sub dimension: Non-Financial Activities		3.70	0.696	1	High
Independent Variable: Earnings Management		3.71	0.685		High

The independent variable (Earnings Management) mean was 3.71 with a deviation of 0.685, hence supporting a high level of positive impression towards the company's earnings management.

for all assertions in regards to the financial activities sub-dimension had mean scores higher than 3.68, the highest mean for evidence of being actively managing ROA and ROE to meet objectives (mean = 3.79). This is an indication of a very good sense of respondents that the company's financial indicators

are good, transparent, and managed within industry standards. The relatively low standard deviations (0.770 to 0.826) reflect a high level of agreement among participants, which further substantiates these perceptions as valid.

Similarly, the non-financial activities sub-measure also showed constantly high mean values (ranging between 3.63 and 3.76), with the highest mean provided to the continued monitoring of employee satisfaction (mean = 3.76). This reflects a general

recognition of the necessity for both customer and employee satisfaction in determining the reputation and performance of the company. The standard deviations on the items (0.773-0.851) would indicate a moderate level of consensus, with some variation

potentially due to the contrasting experiences or perceptions in the sample.

2. Descriptive Statistics for the company market value.

Table (4) Shows mean Std. deviation, the rank for (The company market value)

N	Statements	Mean	Std. Deviation	Rank	Degree
1	Discretionary accruals are utilized for smoothing earnings reported.	3.89	1.073	1	high
2	It is visible and well documented how management makes use of accruals.	3.68	1.349	6	high
3	Accrual-based earnings management is observable from the financial reports of the company.	3.71	1.388	5	high
4	The market value of the company responds to changes in reported accruals.	3.67	1.382	7	high
5	Accrual management practices follow regulatory requirements.	3.67	1.237	8	high
6	There is minimal risk for accrual manipulation to affect investor impression.	3.86	1.077	2	high
7	Accrual policies are always scrutinized to ensure accuracy and fairness.	3.85	1.068	3	high
8	The company's use of discretionary accruals is in alignment with industry expectation.	3.74	1.217	4	high
First sub dimension: Discretionary Accruals (AEM Proxies)		3.76	0.969	2	high
1	The company manipulates actual activities (e.g., timing of sale) to manage earnings.	3.72	1.200	7	high
2	Real-based earnings management is revealed clearly in company announcements.	3.73	1.196	6	high
3	Operational decisions are sometimes motivated by the desire to meet earnings targets.	3.71	1.195	8	high
4	The company's market value is affected by fluctuations in real operational activities.	3.80	1.160	5	high
5	Real-based earnings management activities are within the legal framework.	3.86	1.107	4	high
6	There is little proof of real activities manipulation for short-term gains.	3.89	1.102	3	high
7	The operational strategies of the company are aimed at facilitating sustainable growth.	3.92	1.104	2	high
8	Earnings management based on real is aligned with the company's long-term goals.	3.92	1.102	1	high
Second sub dimension: Real-Based Earnings Management (REM Proxies)		3.82	0.814	1	high
Dependent Variable: Company Market Value		3.79	0.857		high

The dependent variable registers a strong general mean of 3.79 with a standard deviation of 0.857, testifying to very positive perceptions about the market value of the company among the respondents. This is an indication that the respondents generally have positive perceptions concerning the market positioning of the company, while the moderate standard deviation indicates reasonable agreement with some diversity in individual ratings.

First Sub-Dimension: Discretionary Accruals (AEM Proxies), the discretion-ary accruals dimension recorded an average of 3.76 and standard deviation of 0.969, which was second in comparison to the two sub-dimensions. The highest rated statement in this dimension is earnings smoothing use of discretionary accruals (mean = 3.89, rank = 1), which indicates strong respondent acknowledgment of the practice's prevalence and acceptability.

Second Sub-Dimension: Real-Based Earnings

Management (REM Proxies), real-based earnings management dimension had the best overall performance with a mean of 3.82 and the lowest standard deviation of 0.814, indicating both high positive perceptions and greater agreement among the respondents. This suggests that real-based earnings management practices are viewed more positively and uniformly across the sample.

Testing the Research Hypotheses

The first Main Hypotheses: There is a significant impact of Earning management on the company market value

Sub Hypotheses:

- There is a significant impact of the financial activities on the company market value.
- There is a significant impact of the non-financial activities on the company market value.

Firstly, we should present the correlation matrix of the main and subdimensions as following:

Table (5) The correlation matrix of the main and sub dimensions

		Company Market Value	Earnings Management	Financial Activities	Non-Financial Activities
Company Market Value	Pearson Correlation	1	.924**	.910**	.916**
	P.value		0.000	0.000	0.000
	N	384	384	384	384

From the correlation matrix we can find how are the relationships between the main dimensions as

following:

- There is a strong and positive significant relationship between the company market value and the independent variable: Earning management, as Pearson Correlation = 0.924, and the sig value = 0.000.
- There is a moderate and positive significant relationship between the company market value and Financial Activities, as Pearson Correlation = 0.910, and the sig value = 0.000.
- There is a strong and positive significant relationship between the company market value and Non-Financial Activities, as Pearson Correlation = 0.916, and the sig value = 0.000.

Then there is a statistically significant impact for the independent variable: Earning management, and the sub dimensions (Financial Activities, Non-Financial Activities) on The company market value, and we can represent these relationships by the following equation:

Regression equation.

$$y = b_0 + b_1X_1 + b_{11} X_{11} + b_{12} X_{12}$$

When:-

- y: Dependent variable (The company market value)
- X1: the independent variable (Earning management)
- X11: the sub dimension (Financial Activities)
- X12: the sub dimension (Non-Financial Activities)

b0: Constant

b 1: the coefficient for independent variable (Earning management)

b 11: the coefficient for sub dimension (Financial Activities)

b 12: the coefficient for sub dimension (Non-Financial Activities)

1- The results of the Main Hypotheses: There is a significant impact of Earning management on the company market value

Table (6) Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.924 ^a	0.854	0.853	0.328

a. Predictors: (Constant), The independent variable: Earning management

From the above table it is clear that total correlation (R) equal (0.924), so there is a strong and positive significant relationship between The company market value and the independent variable: Earning

management, and the coefficient of determination (R square) equal to (0.854), and this indicates that the independent variables explain (85%) of any change in the dependent variable (The company market value).

Table (7) ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	240.064	1	240.064	2228.758	.000 ^b
	Residual	41.146	382	0.108		
	Total	281.210	383			

a. Dependent Variable: The dependent variable: The company market value

b. Predictors: (Constant), The independent variable: Earning management

From the above table it is clear that the sig level equals (0.000) is less than (0.05). So the linear regression model is statistically significant, then

there is a statistically significant impact for Earning management on the company market value.

Table (8) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.216	0.057		21.325	0.000
	The independent variable: Earning management	0.693	0.015	0.924	47.210	0.000

a. Dependent Variable: The dependent variable: The company market value

The above table infers the Coefficient of the main dimension as following:

For “The independent variable: Earning management”, the sig value = (0.000) is less than (0.05), so there is a statistically significant impact for the independent variable: Earning management on the company market value, and the value of independent variable coefficient equal (0.693) so

when the independent variable (Earning management) increases by one unit, the dependent variable (The company market value) will increase by (0.693) unit.

2- The results of the subdimension:

- There is a significant impact of the financial activities on the company market value.

- There is a significant impact of the non-financial activities on the company market value.

Table (9) Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.924 ^a	0.854	0.853	0.328

a. Predictors: (Constant), Financial Activities, Non-Financial Activities

From the above table it is clear that total correlation (R) equal (0.924), so there is a moderate and positive significant relationship between the company market value and the Financial Activities, Non-financial

Activities and the coefficient of determination (R square) equal to (0.854), and this indicates that the independent variables explain (85%) of any change in the dependent variable (The company market value).

Table (10) ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	240.188	2	120.094	1115.391	.000 ^b
	Residual	41.022	381	0.108		
	Total	281.210	383			

a. Dependent Variable: The dependent variable: The company market value

b. Predictors: (Constant), Financial Activities, Non-Financial Activities

From the above table it is clear that the sig level equals (0.000) is less than (0.05). So the linear regression model is statistically significant, then

there is a statistically significant impact for Financial Activities and Non-financial on the company market value.

Table (11) Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.213	0.057		21.242	0.000
	Financial Activities	0.399	0.049	0.535	8.142	0.000
	Non-Financial Activities	0.295	0.049	0.400	6.086	0.000

a. Dependent Variable: The dependent variable: The company market value

The above table infers the Coefficient of the main dimension as following:

For "Financial Activities", the sig value = (0.000) is less than (0.05), so there is a statistically significant impact for Financial Activities on the company market value, and the value of independent variable coefficient equal (0.399) so when the independent variable (Financial Activities) increases by one unit, the dependent variable (The company market value)

will increase by (0.399) unit.

For "Non-Financial Activities", the sig value = (0.000) is less than (0.05), so there is a statistically significant impact for Non-Financial Activities on the company market value, and the value of independent variable coefficient equal (0.295) so when the independent variable (Non-Financial Activities) increases by one unit, the dependent variable (The company market value) will increase by (0.295) unit.

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