ABSTRACT

Mergers and acquisitions (M&A) in the Asia–Pacific (APAC) technology sector frequently trigger earnings management due to elevated valuation pressures, cross-border complexities, and intense market competition. This study pursues three objectives: (1) assessing the extent to which acquiring firms engage in earnings management across the M&A timeline; (2) evaluating whether the Modified Jones model (discretionary accruals) and the Roychowdhury framework (real earnings management) consistently detect earnings manipulation in the pre-acquisition, announcement, and post-acquisition phases; and (3) examining how transaction financing—cash and stock—shapes these strategies.

The study analyzes 394 completed acquisitions from 2015 to 2022, comprising 1,182 firm-year observations. Data were retrieved from Bloomberg Terminal. Discretionary accruals were estimated using the Modified Jones model, while real earnings management was detected through abnormal cash flow from operations, abnormal production costs, and abnormal discretionary expenses.

Findings reveal that real earnings management is the dominant earnings management method employed by acquirers. Stock-based acquirers significantly reduce abnormal cash flow from operations and increase abnormal production costs surrounding acquisition announcements. Cross-border deals exhibit sustained liquidity manipulation, while high-value transactions display intensified real earnings management behavior. In contrast, discretionary accruals are not consistently associated with M&A characteristics, suggesting limited use.

Keywords: mergers and acquisitions, earnings management, discretionary accruals, real earnings management