

The different points of view provide different perceptions about the theme, allowing to conclude it is possible to study this issue in the most different optics. It also is possible to research in the different analysis approaches, such as academic, accounting, economic, financial, legally. The authors that study it agree that it shows a different image of the real, due to different interests. Because of it, it is possible to conclude it is a kind of fraud because it changes reality. It is a phenomenon generalized, it there is in all kind of company and country, and it is prevalent. On the other hand, it constitutes a misleading practice. It tends to induce the users to decisions based on false accounting information, it changes the accounting values, making a makeup that allows obtaining the desired and planned image of the entity's financial position and different of the right and real image. It can be understood as the intention to occult information, in all the times it is not given to users additional information. Some authors use the concept to describe the process whereby the experts use its knowledge about the accounting rules to manipulate the figures reflected in the company's accounts (Salas et al., 1996). The Spanish doctrine uses the term "contabilidad creativa" when talks about earnings management. To the (Dimitris Chorafas, 2007) this expression is inappropriate in a sense gives by Fra Luca Pacioli. The practice of exchanging values in the corporate records to hide losses or any other practice to make up the financial position is corrupt, and it can make to show abysmal results.

2.2. Motivations and techniques

According to Lequericaonandia (2001), the motivations to commit fraud or irregularities are varied, and it depends on the three factors: who deceives, of the means and techniques used to amend the annual accounts; and, who is deceiving with the accounting changes. The agency theory explains this behaviour, considering there is a set of factors derived from contractual relationships within the company and the economic regulation process. Those factors give motivation to the agent to adopt a certain attitude. There is an extensive empirical literature that highlights the factors that determine the agent's choice between different accounting alternatives. The agent tries to maximize its utility, and this search reflects the accounting criterion selection to apply. Researchers conclude that contracts existing and potential, explicit and implicit, between creditors and company, create incentives for management to change results. Morón (2009) considers the companies' main goals to resort to the earnings management: the desire to improve the corporate image; and on the other hand, the interest into evidence the company accounts' stability over the time, or instead, the show a financial position degraded image. Since the late seventies that the research relates to the motivations to realize practices, discretionary focuses primarily on the incentives created by management compensation contracts, debt contracts and the economic regulation's process. Nevertheless, recent literature invokes other motivations to this phenomenon, between them: negotiations with unions, to influence the shareholders' perceptions relative to the company's management, the necessity to obtains external financing, and the costs of preparing financial information. In the management compensation contracts, the determination of the managers' salary dependent on an incentive plan that increases when increase the results presented. Because of this, it is most probable that the administration with incentive plans chose accounting criteria that include in the published profit the future periods' benefits. The positive accounting theory defends the companies that have a direction to make economic decisions, have schemes of the retribution sustained in the disclosed result and, because of this direction use accounting methods which give rise to more significant benefit or anticipation thereof of the same. They need to establish a mechanism to motivate the acting who manages and not ignore the companies' interests (Blasco, 2002). Nevertheless, there are other forms of executive retribution, such as stock options, and that it increased, significantly, in the ninety decades. Those incentives generate plus stimulus to companies administrations to turn over more value to the stakeholders; consequently, it increases the accounting manipulation risk (Vallejo, 2008).

Another motivation to manipulate the financial statements is related to the use of the debt contracts, as an object to limit wealth transfers from the bondholders to shareholders. How more significant is the ratio of the companies' net debt, there is more probability that the administration select the accounting procedures that allows to input incomes of the future periods to the actual one (Blasco, 2002). Another motivation to manipulate the financial statements is related to the use of the debt contracts, as an object to limit wealth transfers from the bondholders to shareholders. How more significant is the ratio of the companies' net debt, there is more probability that the administration select the accounting procedures that allows to input incomes of the future periods to the actual one (Blasco, 2002). The debt contracts based on accounting often restrict the possibility of the company to pay dividends or to emit additional debt. The pacts that restrict the company to emit additional debt, frequently, require the sustainability of the minimum ratio of the asset or maximum debt. Thus, the actions on the accounting that increase the profit will increase/decrease those ratios, respectively. The debit contracts impose restrictions on investment decisions, financing, and dividends because they limit the agent's capacity to make decisions that can to increase the possibilities of the insolvency of the company (Lequericaonandia, 2001). Relatively to the cost derived from the politic process or the economic regulation, the research in this area assumes that the biggest companies are politically more sensitive than the smaller ones; and that they support the highest wealth transfers than the smaller companies (Blasco, 2002). On the economic regulation process, the governmental organisms regulate the economic activity of a lot of companies and activity sectors, transferring or pulling out resources, by setting tariffs, monitoring monopolistic conduct. Regulated companies are interested in presenting lower results, with the goal of to can obtain higher transfers of wealth in its favour, fewer taxes, higher subventions, and others (Lequericaonandia, 2001). The selection between the different accounting standards can be conditioned by the costs to obtain and prepare the information, in particular, the case the appliance of criteria with higher application costs. To Lequericaonandia (2001), this phenomenon occurs due to two reasons. First, there is a strong asymmetry of information between the company's internal and external; it makes difficult the detection, from abroad, the manipulation practices. Second, the accounting legal framework favours the appearance of those practices when it gives different possibilities to record the economic operations, and the financial information preparer will choose the one that best satisfies each moment its interests. The existence of accounting principles that allow the introduction of subjective criteria propitiates financial information manipulation. The discussion about earnings management has a particular focus on the impact that may have overstock investor decisions. Those procedures make relevant changes in the financial statements, may mislead decision-making. According to Salas et al. (1997), the most used techniques to make up financial data are the increase or decrease of the income and expenses, the variation on the assets and liabilities, and finally the reclassification of these accounting items. Those changes promote several financial consequences: a) variation on financial statements, it means the higher/lower profit or financial position; b) the manipulation of the financial information additional, the auditing report and management report, with the consequences of the changing of the financial ratios, between them liquidity, indebtedness, financial independence or profitability; c) and finally, as the consequence of the last the company's value variation (Salas et al., 1997). Salas et al. (1996) consider technics can adopt different forms: 1) the choice between different accounting methods; 2) some accounting movements implies a relevant estimations content; 3) it can be recorded artificial transactions to manipulate the financial position's values and to occult, the benefits between accounting periods and allowing the obtaining the desired corporate image; 4) in some cases, it can occur the change of accounting criteria from one period to the next.

2.3. Some solutions

A long time ago that the financial world questions the veracity and impartiality of the financial statements, and because of this regulatory authorities discuss alternatives in order to avoid the earnings management phenomenon (Naser, 1993). Madueño and Sánchez (2000) consider that the economic reality is unique, and the information's user does not change the reality's representation, the fact that accounting regulation allows multiple alternative criteria represents an imperfect state of legislation. Therefore, the same authors demand a precise definition of concepts and a consistent attitude of the legislator in the face of this uncertainty (Madueño and Sánchez, 2000). Morón (2009) defends that the conceptual framework should avoid such situations. Regulators of accounting standards and the accounting profession itself can combat earnings management effectively. Therefore Salas and Sobrevias (2004) and Blasco (2002) present mechanisms that they consider pertinent to combat this phenomenon.

Table 1: Mechanism to combat earnings management

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| 1 | When selecting accounting criteria, regulation should reduce the number of options, the accounting flexibility leave margin to directors to manipulate the business' accounts; |
| 2 | The good governance' codes must reinforce the auditing committee's role to watch over of truth of financial statements and avoid the manipulation attempt; |
| 3 | Auditors must adopt a clear and firm posture when there are signs of creativity. This attitude increases credibility of the financial statements and reduce the possibility to change the record information in the accounting; |
| 4 | The governance structure and the entity's internal control system have an important role to avoid a discretionary accounting actuation; |
| 5 | Publicize situations of abuse by entities, companies represented in the capital markets will consider the effects in its public image, and because of it will not be incentives to make aggressive accounting operations; |
| 6 | As consequence of the unreal transactions, the accounting regulation should favor the interpretation of the faithful image as substance in the form; |
| 7 | Regulatory bodies should not allow certain specific treatment by some companies outside the accounting standard; |
| 8 | Listed companies should be required to present their accounts corrected for auditors' non-conformities, as is the case in many countries; |
| 9 | Strengthening the ethics' codes of company directors and of accounting professionals, so as not to accept earnings management in the accounts. |

Source: Salas and Sobrevias (2004) and Blasco (2002)

3. CONCLUSION

This research seeks to understand better the earnings management process, in particular, to know the concept, motivations and used technics. This phenomenon is characterized as present a distorted picture of the company's financial situation, taking into account the different interests of the managers. As it changes the accounts' reality and can induce the financial information users wrongly, it is a fraud at the financial dimension. There are several reasons to directors decide to manipulate financial statements, between them, the desire of the improvement the corporate image showing stability over time, incentives created by the administration compensation contract, negotiations with unions, to give a misleading perception to shareholders in order to influence its economic decisions, to limit the wealth's transfer to holders of debt contracts.

The mechanism used to manipulate the financial information boils down to, essentially, the increase or the decrease of incomes/expenses and assets/liabilities. The accounting regulation flexibility allows the financial accounts' preparers to choose between available accounting criteria, according to its interest.

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