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# Impact of A Mediator on Corporate Governance Characteristics and Real Earning Management of Thai Listed Companies

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***Article Info***
***Volume 83***
***Page Number: 5912 - 5924***
***Publication Issue:***
***March - April 2020***

***Abstract:***
*The objective was to study the Impact of a mediator on corporate governance characteristics and real earning management of Thai Listed Companies. The secondary data were collected from companies listed on the Stock Exchange of Thailand during 2016-2018, except for companies in the fund business group and companies that are currently restructuring. The data used in the study consisted of 702 data from 234 companies and the statistical analysis was conducted by using descriptive statistics analysis and multiple regression analysis. The results show that good corporate governance of the shareholder structure of the highest percentage of shareholders against unconditional conservatism has a positive relationship. The shareholder structure of the percentage of institutional investors has a negative relationship with unconditional conservatism. The relationship of unconditional conservatism and real earning management demonstrated significant positive relationships such as cash flow from on real earnings management (REM_CFO), real earnings management (REM_PROXY), and discretionary expenses on real earnings management (REM_DISEXP) while production t costs on real earnings management (REM _ PROD) illustrated a negative relationship. Impact of a mediator on corporate governance characteristics and real earning has direct effect of good corporate governance relationship through accounting conservatism to Discretionary Expenses on real earnings management (REM_DISEXP) leading to a positive relationship. Normal discretionary expense will reflect that executives show increased profits from discretionary profit margins. It also is a tool of the company to show high profits and to show the performance of the company. This significantly affects the unconditional accounting conservatism to measure listed Thai companies.*

***Keywords:*** *Corporate Governance Characteristics, Ownership structure, Accounting Conservatism, Real Earning Management ,Thai listed companies*

***Article History***
***Article Received****: 24 July 2019*
***Revised****: 12 September 2019*
***Accepted****: 15 February 2020*
***Publication****: 30 March 2020*

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## I. Introduction

Nowadays, businessmen and investors attach importance to good corporate governance. The exercise of control over business administration depends on ownership concentration because shareholding structure allows controlling shareholder to seek greater benefits. Large companies that are listed on the stock exchange and have a large number of the shares in public are even more interested in good corporate governance. They use the information to disclose financial report information in order to make planning decisions and control. In addition to this, they are able to assess and prevent executives from concealing information and modifying the real earning management. The executives control by using unconditional conservatism to prevent overstatement or understatement of financial information. Strict accounting controls lead to reduced efficiency of corporate governance. Accounting for Real Earning Management used Accrual-based Earning Management (Demski, 2004; Ewert and Wagenhofer, 2005).

Corporate governance is associated with unconditional unconditional conservatism from the event that the accounting principles are followed. This will affect the income statement regularly and unconditional conservatism is unstable. It results in uneven news and it leads to less market value such as depreciation, research and development costs, and advertising costs. (Ball and Shivakumar 2005; Ryan, 2006). This leads to the question whether good corporate governance can prevent the modification of real earning management by using the discretion of management to select accounting policies for creating transactions or activities resulting from increased accounting strictness.

Listed companies in the Stock Exchange of Thailand attach importance to being able to use financial reports to assess uncertain business practices, leading to management under prudent conditions in management. A promising accountant must be careful in accounting conservatism in higher level (Basu, 1997). By avoiding the effects of incentives, managers can use Real Earning Management which can be done in many ways such as Real Earning Management through an open list of Real Earning Management or Accounting and Real Earning Management through business transaction creation. Jaggi and Lee (2002) found that real earning management through accrual items to increase revenue. There is a great amount of research conducted to study the relationship between real earning management and the ownership structure (Morck, Shleifer and Vishny, 1988). Major shareholders have very powerful management power and they often focus on their own interests. It provides the opportunities for financial information to be distributed to external investors causing accounting data to be unclear (Francis, LaFond, Olsson and Schipper, 2005). If a business organization operates in this way, real earning management will lead to agency problems in which the structure of shareholders reflects different forms of agency. However, if the structure ownership comes in a group of people, the agency problem will be with shareholders who have control power. Wivwttanakantang (1999) measured real earning management using the real earning management measurement tool via Accrual Earnings Management (AEM), while Cohen, Dey and Lys (2008), Zang (2007), and Fraham, et al. ( 2005) found that most companies prefer real earning management through the use of discretion of Real Activities Earning Management (REM).

Therefore, it can be seen that accounting conservatism does not expect the profits but it is expected that the real earning management is a process of adjusting numbers based on the loopholes of accounting principles and alternative accounting policies such as measurement and information disclosure. This is to present financial reports and create business transactions to lead to accounting results in real earning management through accrual items which is the choice of

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accounting alternatives that are usually allowed to use by accounting standards without affecting operating activities. Real earning management through discretion changes certain operations such as investment decisions, and increasing production capacity in order to adjust the statement of cash flows from operations (Watts, 2003a). Under the terms of accounting conservatism, it prevents fraud and opportunistic behavior from management (Watts, 2003b). Unconditional conservatism is measured as an open item measured by net profit minus operating profit divided by total assets of last year (Givoly and Hayn 2000; Krishnan and Visvanthan, 2008; Zhang and Wang, 2013).

However, the good corporate governance (CG) is to lead the business to achieve the goals of the companies based on agency theory in the Highest Percentage of Shareholders, the Percentage of Institutional Investors in accordance with good corporate governance (CG) principles through accounting conservatism. There is also a relationship with real earning management in the application of accounting framework according to accounting standards. Although this research examines the relationship between corporate governance characteristics through unconditional accounting conservatism towards real earning management. This article seeks to fill the research gap through the real earning management. Thus, the objective of this research is to study the Impact of a mediator on corporate governance characteristics and real earning management of Thai Listed Companies.

## II. LITERATURE REVIEW

### a. Corporate Governance Characteristics

Good Corporate Governance (CG) will disclose transparent information to enhance the competitiveness as well as add value to the business between the management, board of directors, owners and other stakeholders of the business to achieve the highest benefit objectives and being fair. The Institute of Internal Auditors (IIA) has defined the definition of corporate governance as follows: "Good corporate governance procedures used by agents to corporate risk control and management by people in management level"(Fan and Wong, 2002). The ownership structure gives an opportunity for the major shareholders to have control over their own interests (Frank and Mayer (2001). The capital market is large and highly liquid allowing investors to reflect the information of securities prices (Leuz (2009). It is distributed to many investors, investors need to be protected. According to Warfield, Wild, and Wild (1995). It was discovered that the shareholders have a high percentage of shareholding, which is in contrast to the outstanding amount of accounting conservatism at the management's discretion, not having to record high profits. Sarkar, Sarkar, and Sen (2008) found that having a controlling shareholder in a director position is in the same direction as an open item of conservative accounting. The board is under the influence of shareholder. Grossman and Hart (1988) stated that concentrated stock structure under the influence of shareholders having the power to control the business has a positive and negative impact on the profit management. According to Shleifer and Vishny, 1986; Claessens and Fan, 2002 who proposed the concepts based on Monitoring / Incentives Alignment Hypothesis, the shareholders who have control over the business are stakeholders of cash flow and have control over the management. Charfeddine & Elmarzougui. (2010) studied the relationship between institutional shareholders on the french stock exchange and the results demonstrated a significant negative effect. However, Ting (2013) studied the institutional shareholders and internal shareholders on the Taiwan Stock Exchange. The results showed that both have a positive effect on the operations. This was consistent with the research of Hsu & Wang (2014) studying the influence of shareholders. It was found that if the institutional

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shareholders hold it for a long time, it will improve their performance.

**b. Conservatism accounting**

Conservatism accounting means the use of discretion under uncertainty regarding various events so that the financial statements are reliable and this is to prevent assets or incomes from being too high and liabilities or expenses are too low. On the other hand, Basu (1997) defines conservatism accounting as being aware of good news and bad news. There is an inequality in perceiving bad news on a company's bottom line faster than good news. Watts and Zimmerman (1986) defines conservatism accounting showing the lowest asset value and maximum liabilities and recognizing profits and losses. Feltham and Ohlson (1995) defines conservatism accounting as the net asset value in financial disclosure that is lower than long-term market value. Givoly and Hayn (2000) explained that the conservatism accounting principle is an accounting practice resulting in low profits when compared to cash flow from operations. In addition, Watts (2003a) defines conservatism accounting as inequality in profit and loss. In summary, conservatism accounting is the discretion of management not to show higher or lower numbers. Beaver and Ryan (2005) defines that under the unconditional conservatism, the value of net assets is understate accounting operations. Unconditional conservatism occurs regardless of the event, but depends on generally accepted accounting practice by controlling profit. Ahmed et al. (2002) stated that the profitable companies are more likely to use conservatism accounting by measuring total assets representing profits of the company size. Kohansal et al 2017, Beaver and Ryan 2005, Gassen et al. 2006 and Iatridis 2011 stated that unconditional conservatism can be used in order to examine financial reports and reduce the realization of real earning management.

**c. Real Earning Management**

Healy and Wahlen (1999) said that in adherence to real earning management, executives use discretion in preparing financial reports to disclose financial statements and business structures for the company's stakeholders. Real earning management consists of 3 types which are 1) Real Earning Management through Accruals Management by choosing to use accounting policies related to accrual basis. 2) Real Earning Management through the use of discretion in creating Real Activities Manipulation, which involves management decisions, as a tool to affect accounting data. 3) Real Earning Management through other methods. Roychowdhury (2006) and Cohen et al. (2008) research explain that Real Earning Management comes from 3 types of operating activities: 1) Real Earning Management of cash flows from the cash flow of operation, reflecting the real earning management of executives since the generated income generates cash flow from operations; however, when the executives generate high incomes, there is no cash flow from operations. 2) Real Earning Management of the management discretionary expenses reflecting the management of expenses of executives which will continue to increase or decrease the profit of the business. Management chooses accounting policies to delay recognition. Accounting expenses 3) Real earning management of production costs management executives can use policies to determine the quantity of products in production to reduce the cost of sales of the company because of the cost. The production went to sink in inventories at the end of the period providing high company profits. All three types reflect the decision to operate the business of real earning management. (Guay and Verrecchia, 2006; Watts, 2003; Chen, Hemmer and Zhang, 2007) stated that it reduces the efficiency of corporate governance and causes the management to shift from profit management through accruals to profit management through discretion. ((Demski, 2004;

Ewert and Wagenhofer, 2005) mentioned that conservatism accounting allows management to open items. Alarlooq et al. (2014) studied the relationship between conservatism accounting in both conditional conservatism and unconditional conservatism and real earning management using discretion, resulting in the same direction as discretion in creating business transactions. This research therefore focused on impact of a mediator on corporate governance characteristics and real earning management of Thai Listed Companies based on the following hypotheses:

Hypotheses 1: There is a significantly impact of the corporate governance on accounting conservatism.

Hypotheses 2: There is an impact of the accounting conservatism on the real earnings management.

Hypotheses 3: There are significantly Impacts of a mediator on corporate governance characteristics and real earning management of Thai Listed Companies

Then, researchers aimed to examine the impact of a mediator on corporate governance characteristics and real earning management of Thai Listed Companies. The research framework was conducted as shown in figure 1 below.

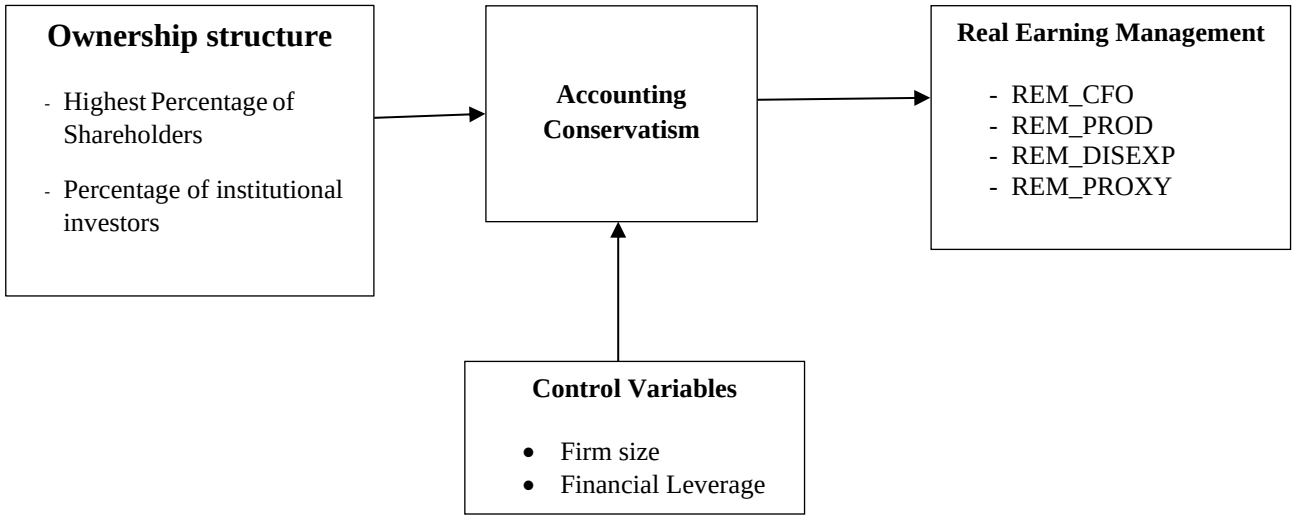


**Figure 1: A Conceptual Model**

## III. DATA AND METHODOLOGY

The sample group is listed on the stock exchange of Thailand in every industry group except those in the process of restructuring and companies in the financial business group and property fund as this industry group is different from other industry groups. The data has been collected from the past 3 years from 2016–2018. It consisted of a total of 234 companies totaling 702 data collected from the database of SET Market Analysis and Reporting Tool or SETSMART. The secondary data and descriptive statistics as well as multiple regression analysis were used. This research studied the impact of a mediator on corporate governance characteristics and real earning management of Thai Listed Companies.

Table 1 The mnemonic, definitions and measurement of each variable

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| Variables | Mnemonic | Definitions | Measurements |
|---|---|---|---|
| **Dependent variable** | | | |
| 1. REM_CFO | REM_CFO | Abnormal Cash Flow from on real earnings management ( REM ) | $CFO_{it}/A_{i,t-1} = \alpha_0 + \alpha_1 /A_{i,t-1} + \alpha_2 SALES_{i,t} /A_{i,t-1} + \alpha_3 \Delta SALES_{i,t} /A_{i,t-1} + \mu_{i,t}$ |
| 2. REM_PROD | REM_PROD | Abnormal Production Costs on real earnings management ( REM ) | $PROD_{i,t} /A_{i,t-1} = \alpha_0 + \alpha_1 /A_{i,t-1} + \alpha_2 SALES_{i,t} /A_{i,t-1} + \alpha_3 \Delta SALES_{i,t} /A_{i,t-1} + \mu_{i,t}$ |
| 3. REM_DISEXP | REM_DISEXP | Abnormal Discretionary Expenses on real earnings management ( REM ) | $DISEXP_{i,t}/A_{i,t-1} = \alpha_0 + \alpha_1 /A_{i,t-1} + \alpha_2 SALES_{i,t} /A_{i,t-1} + \mu_{i,t}$ |
| 4.REM_PROXY | REM_PROXY | Proxy variable on real earnings management ( REM ) | REM_PROXY = REM_PROD + (-REM_CFO)+ (-REM_DISEXP) |
| **Independent variable** | | | |
| 1. Highest Percentage of Shareholders | HPS | The highest percentage of Shareholding | The highest percentage of Shareholding |
| 2. Percentage of institutional investors | PII | The proportion of institutional investors | The proportion of institutional investors |
| **Control variable** | | | |
| 1. Finance leverage | FL | Financial leverage | Total debt / total assets |
| 2. Firm size | FS | Total assets | Log (total assets) |
| **Mediator variable** | | | |
| 1. Accounting conservatism | CON-ACC | Unconditional accounting conservatism | Net income minus operating cash flows divide total assets |

## IV. RESULTS AND DISCUSSION

The researcher selected the sample group of companies listed on the stock exchange of Thailand by collecting data from the past 3 years from 2016 - 2018. Secondary data, descriptive statistics and multiple regression analysis were used for all industries except those in the process of restructuring and companies in the financial business group and property fund as this industry group is different from other industry groups. It is found that the sample group has 234 companies in total of 702 data.

Table 2 shows the correlation analysis which is the analysis of relationships between variables used in the study with Pearson's Correlation Coefficient to prevent the variables used in the study. The results of the study show that there are variables with correlation coefficient which represent 67% of Cash Flow from on real earnings management (REM_CFO) and Accounting conservatism (CON-ACC). ), which has a correlation coefficient of 0.676 which is Real earnings management (REM-PROXY) and Accounting conservatism (CON-ACC), which has a correlation coefficient of 0.324 percent to 32 percent.

**Table 2 Correlation coefficient between variable**

| | | HIS | PII | CON-ACC | REM_CFO | REM_PROD | REM_DISEXP | REM_PROXY | FL | FS |
|---|---|---|---|---|---|---|---|---|---|---|
| HIS | Pearson Correlation | 1 | | | | | | | | |
| | Sig. (2-tailed) | | | | | | | | | |
| PII | Pearson Correlation | .210** | 1 | | | | | | | |
| | Sig. (2-tailed) | .000 | | | | | | | | |
| CON-ACC | Pearson Correlation | .116** | .060 | 1 | | | | | | |
| | Sig. (2-tailed) | .002 | .114 | | | | | | | |
| REM_ CFO | Pearson Correlation | .133** | .136** | .676** | 1 | | | | | |
| | Sig. (2-tailed) | .000 | .000 | .000 | | | | | | |
| REM_ PROD | Pearson Correlation | .013 | -.131** | -.025 | -.218** | 1 | | | | |
| | Sig. (2-tailed) | .722 | .000 | .503 | .000 | | | | | |
| REM_DISEXP | Pearson Correlation | -.073 | .156** | .099** | .119** | -.447** | 1 | | | |
| | Sig. (2-tailed) | .054 | .000 | .009 | .002 | .000 | | | | |
| REM_PROXY | Pearson Correlation | .128** | .033 | .324** | .617** | -.397** | -.472** | 1 | | |
| | Sig. (2-tailed) | .001 | .380 | .000 | .000 | .000 | .000 | | | |
| FL | Pearson Correlation | .001 | -.088* | .081* | -.182** | .093* | -.033 | -.137** | 1 | |
| | Sig. (2-tailed) | .974 | .020 | .031 | .000 | .013 | .383 | .000 | | |
| FS | Pearson Correlation | .083* | .267** | -.072 | .036 | -.010 | -.069 | .084* | .299** | 1 |
| | Sig. (2-tailed) | .027 | .000 | .057 | .344 | .797 | .066 | .026 | .000 | |
| | N | 702 | 702 | 702 | 702 | 702 | 702 | 702 | 702 | 702 |

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

**Note :** 1) Highest Percentage of Shareholders (HPS) 2) Percentage of institutional investors (PII) 3) Cash Flow from on real earnings management (REM_CFO) 4) Production Costs on real earnings management(REM_PROD)5)Discretionary Expenses on real earnings management ( REM_DISEXP ) 6) Real Earnings Management (REM-PROXY) 7)Accounting Conservatism (CON-ACC) 8) Firm Size (FS) 9) Financial Leverage (FL)

## V. DESCRIPTIVE STATISTICS OF VARIABLES

Then, descriptive statistic of variables were employed. The results were shown in Table 3 below.

Table 3 Descriptive Statistics

| | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| Highest Percentage of Shareholders | 4.78 | 98.48 | 34.26 | 18.17 |
| Percentage of institutional investors | 0.00 | 98.66 | 23.37 | 25.01 |
| Accounting Conservatism | -0.24 | 0.37 | 0.03 | 0.08 |
| REM_CFO | -2.75 | 2.51 | 0.00 | 0.72 |
| REM_PROD | -5.41 | 8.91 | -0.01 | 0.80 |
| REM_DISEXP | -2.44 | 7.95 | 0.02 | 1.03 |
| REM_PROXY | -8.10 | 6.34 | -0.01 | 1.24 |
| Financial Leverage | 0.00 | 1.84 | 0.42 | 0.23 |
| Firm Size | 8.00 | 12.00 | 9.77 | 0.66 |
| Valid N (listwise) :702 | | | | |

Table 3 shows the basic statistics of 702 data analysis variables in the industry in terms of

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minimum, maximum, mean and standard deviation. The results showed that the number of companies with good corporate governance in the ownership structure and the average of the Highest Percentage of Shareholders (HPS) was 34.26. The mean of Percentage of institutional investors (PII) was equal to 23.37 and the mean of Accounting Conservatism 0.03, while the variables in real earnings management with the mean of the cash flow from on real earnings management (REM_CFO) was 0.00. Production costs on real earnings management (REM _PROD) was - 0.01. Discretionary expenses on real earnings management (REM_DISEXP) was G 0.02, Real earnings management (REM_PROXY) mean of -0.01 including the control variables are financial ratios (Financial Leverage) mean of 0.42 and the size of the company (Firm Size) mean of 9.77.

Table 4 : Hypotheses 1 There is a significantly impact of the Corporate Governance Characteristics on accounting conservatism.Then multiple regression model was employed below and the results were showed in Table 4.

$$\text{CON-ACC} = \beta_0 + \beta_1 \text{HPS} + \beta_2 \text{PII} + \beta_3 \text{FS} + \beta_4 \text{FL} + \varepsilon$$

Table 4 multiple regression model

| variables | Unstandardized Coefficients B | t-test | p-value |
|---|---|---|---|
| (Constant) | 0.159 | 3.129 | 0.002 |
| Highest Percentage of Shareholders | 0.000 | 2.190 | 0.029* |
| Percentage of institutional investors | 0.000 | 1.310 | 0.191 |
| Financial Leverage | 0.048 | 3.577 | 0.000 |
| Firm Size | -0.016 | -3.046 | 0.002 |
| 2.Indcd | 0.025 | 2.176 | 0.030 |
| 3.Indcd | 0.003 | 0.239 | 0.811 |
| 4.Indcd | 0.032 | 3.190 | 0.001 |
| 5.Indcd | -0.011 | -1.083 | 0.279 |
| 6.Indcd | -0.009 | -0.786 | 0.432 |
| 7.Indcd | -0.063 | -5.525 | 0.000 |
| 2017.Date | -0.009 | -1.256 | 0.209 |
| 2018.Date | -0.011 | -1.604 | 0.109 |
| $R^2$ | 0.153 | | |
| Adjusted R Square | 0.138 | | |
| F-statistic | 10.363 | | |
| N :702 | | | |

*. Correlation is significant at the 0.05 level (

a Dependent Variable: Accounting Conservatism (CON-ACC)

From Table 4 , hypothesis testing using analysis Multiple regression equations with the model (1) demonstrated the basic static values of the highest percentage of shareholders relationship to accounting conservatism (CON-ACC) having a significant positive correlation of 5 % with the coefficient of 0.029 and the 95% confidence level, R Square 0.153, Adjusted R Square 0.138. The measure of highest percentage of shareholders will influence the decision of the company and will try to protect their benefits in the voting to put pressure on the administration in the direction the group wants. This goes in line with the research from Bao, SR, & Lewellyn, KB (2017), Martin Hovey, Larry Li and Tony Naughton, (2003) who illustrated that the Highest Percentage of Shareholders influenced the company's decision to put pressure on management into the direction that the group wants which means the highest profit and good company performance. In line with the stewardship theory, the highest percentage of shareholders will increase the power of shareholders and make them more interested in investing and will reflect a lot of accounting conservatism. This is also consistent with the research of Zakaria et al., (2014) Alimehmeti & Paletta. (2012), Ozili & Uadiale. (2017) studied in Malaysia, Italy and Nigeria.

However, it is seen that the percentage of the common shares held by institutional investors of the total number of shareholders is mainly general investors are not institutional investors such as banks, financial institutions, insurance companies, funds, and investment units. The proportion of institutional investors shows the basic static variable of the percentage of institutional investors (CON-ACC). Importantly, the proportion of institutional shareholders increased, resulting in lower operating results, high accounting precaution. This is consistent with the research of Zeitun. (2009), Charfeddine & Elmarzougui. (2010) and Afza & Nazir. (2015) who mentioned that the proportion of institutional shareholders towards accounting conservatism and business performance results in Jordan, France and Pakistan due to the policy and role of the government and shareholders. The institutions do not have a part in managing the company.

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Table 5 : Hypotheses 2: There is a Impact of the accounting conservatism on the real earnings management . Then multiple regression model was employed below and the results were showed in Table 5

$$REM = \beta_0 + \beta_1 \text{ CON-ACC} + \beta_2 \text{ FS} + \beta_3 FL + \varepsilon$$

| | REM_CFO | | | REM_PROD | | | REM_DISEXP | | | REM_PROXY | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Unstandardized Coefficients | t-test | p-value | Unstandardized Coefficients | t-test | p-value | Unstandardized Coefficients | t-test | p-value | Unstandardized Coefficients | t-test | p-value |
| Variables | B | | | B | | | B | | | B | | |
| (Constant) | -1.538 | -4.873 | 0.000 | 0.059 | 0.115 | 0.908 | 1.134 | 1.820 | 0.069 | -2.732 | -3.862 | 0.000 |
| Accounting Conservatism | 6.272 | 26.022 | 0.000* | -0.539 | -1.367 | 0.172 | 0.935 | 1.963 | 0.050* | 5.876 | 10.878 | 0.000* |
| Financial Leverage | -0.942 | -11.125 | 0.000 | 0.351 | 2.532 | 0.012 | 0.137 | 0.817 | 0.414 | -1.429 | -7.533 | 0.000 |
| Firm Size | 0.186 | 5.772 | 0.000 | -0.038 | -0.728 | 0.467 | -0.075 | -1.185 | 0.236 | 0.299 | 4.151 | 0.000 |
| 2.Indcd | 0.010 | 0.144 | 0.885 | 0.193 | 1.626 | 0.104 | -1.020 | -7.123 | 0.000 | 0.838 | 5.153 | 0.000 |
| 3.Indcd | -0.037 | -0.510 | 0.610 | 0.235 | 1.960 | 0.050 | -0.525 | -3.629 | 0.000 | 0.252 | 1.538 | 0.124 |
| 4.Indcd | 0.031 | 0.484 | 0.629 | 0.093 | 0.880 | 0.379 | -0.188 | -1.468 | 0.143 | 0.126 | 0.867 | 0.386 |
| 5.Indcd | 0.063 | 0.998 | 0.319 | 0.217 | 2.106 | 0.036 | -0.956 | -7.699 | 0.000 | 0.802 | 5.691 | 0.000 |
| 6.Indcd | -0.1 32 | -1.861 | 0.063 | 0.050 | 0.430 | 0.668 | -0.081 | -0.578 | 0.563 | -0.101 | -0.635 | 0.526 |
| 7.Indcd | 0.074 | 1.018 | 0.309 | -0.072 | -0.598 | 0.550 | -0.597 | -4.132 | 0.000 | 0.743 | 4.532 | 0.000 |
| 2017.Date | -0.103 | -2.304 | 0.022 | 0.130 | 1.780 | 0.076 | 0.064 | 0.726 | 0.468 | -0.297 | -2.968 | 0.003 |
| 2018.Date | -0.111 | -2.490 | 0.013 | 0.079 | 1.081 | 0.280 | 0.004 | 0.044 | 0.965 | -0.194 | -1.939 | 0.053 |
| $R^2$ | 0.554 | | | 0.033 | | | 0.156 | | | 0.256 | | |
| Adjusted R Square | 0.546 | | | 0.018 | | | 0.143 | | | 0.244 | | |
| F-statistic | 77.788 | | | 2.156 | | | 11.592 | | | 21.611 | | |
| N : 702 | | | | | | | | | | | | |

*. Correlation is significant at the 0.05 level (2-iled)
*a Dependent Variable: Accounting Conservatism (CON-ACC)

Table 5 shows the analysis of the relationship between the equation of Roychowdhury (2006); Cohen and Zarowin (2010). It shows the mean value of the accounting conservatism that correlates the profitability of the cash flow accoun from on real earnings management (REM_CFO), R Square is 0.554. The mean is 0.000 with a significant positive relationship. For the production costs on real earnings management (REM _ PROD), there is a negative correlation with the accounting conservatism, while the decorating cost of the administrative costs discretionary expenses on real earnings management (REM_DISEXP) has R Square of 0.156 and a significant positive relationship of 0.050 and Real Income Management (REM_PROXY). R Square is 0.256 and the relationship is positive. Significantly equal to 0.000, it can be concluded that being cautious about adornment of real earnings (by using discretion through open items, resulting in higher profits to create more items), Moreover, it supported Demski (2004), Ewert and Wagenhofer (2005) past research. Increasing control policies will encourage managers to change from management. Profit through open items is profit management through discretion. This is also consistent with the research of Alarlooq et Al (2014) who shows that unconditional conservatism correlated in the same direction as the decorative gains using significant discretion in order to create a transaction different from a company that is very tight will help to reduce problems arising from the relationship between conservatism and real earnings management by using discretion. This can create a list going through both business transactions and giving lower and higher net profits when considering the mean value of each item. That is, real earnings management that is higher than normal. This means that there is a low profit margin (real earnings management), which may delay revenue recognition in the current year.

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Table 6 : Hypotheses 3: There are significantly impact of a mediator on corporate governance characteristics and real earning management of Thai Listed Companies

| Variables | REM_CFO | | | REM_PROD | | | REM_DISEXP | | | REM_PROXY | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Unstandardized Coefficients | t-test | p-value | Unstandardized Coefficients | t-test | p-value | Unstandardized Coefficients | t-test | p-value | Unstandardized Coefficients | t-test | p-value |
| | B | | | B | | | B | | | B | | |
| (Constant) | -0.426 | -0.943 | 0.346 | -0.386 | -0.731 | 0.465 | 1.798 | 2.838 | 0.005 | -1.838 | -2.361 | 0.019 |
| Highest Percentage of Shareholders | 0.003 | 2.212 | 0.027* | 0.002 | 0.926 | 0.355 | -0.006 | -3.039 | 0.002* | 0.008 | 3.128 | 0.002* |
| Percentage of institutional investors | 0.002 | 2.048 | 0.041* | -0.004 | -2.859 | 0.004* | 0.005 | 3.281 | 0.001* | 0.001 | 0.455 | 0.649 |
| Financial Leverage | -0.624 | -5.270 | 0.000 | 0.275 | 1.993 | 0.047 | 0.243 | 1.467 | 0.143 | -1.142 | -5.599 | 0.000 |
| Firm Size | 0.065 | 1.387 | 0.166 | 0.012 | 0.217 | 0.828 | -0.133 | -2.025 | 0.043 | 0.186 | 2.304 | 0.021 |
| 2.Indcd | 0.172 | 1.698 | 0.090 | 0.189 | 1.599 | 0.110 | -1.035 | -7.277 | 0.000 | 1.018 | 5.822 | 0.000 |
| 3.Indcd | -0.006 | -0.063 | 0.950 | 0.215 | 1.797 | 0.073 | -0.517 | -3.587 | 0.000 | 0.295 | 1.665 | 0.096 |
| 4.Indcd | 0.227 | 2.518 | 0.012 | 0.102 | 0.969 | 0.333 | -0.198 | -1.565 | 0.118 | 0.323 | 2.078 | 0.038 |
| 5.Indcd | 0.011 | 0.123 | 0.902 | 0.182 | 1.760 | 0.079 | -0.915 | -7.366 | 0.000 | 0.744 | 4.872 | 0.000 |
| 6.Indcd | -0.204 | -1.992 | 0.047 | 0.131 | 1.097 | 0.273 | -0.224 | -1.564 | 0.118 | -0.110 | -0.626 | 0.531 |
| 7.Indcd | -0.302 | -2.999 | 0.003 | -0.038 | -0.320 | 0.749 | -0.698 | -4.942 | 0.000 | 0.434 | 2.497 | 0.013 |
| 2017.Date | -0.158 | -2.540 | 0.011 | 0.134 | 1.842 | 0.066 | 0.058 | 0.666 | 0.506 | -0.350 | -3.262 | 0.001 |
| 2018.Date | -0.182 | -2.926 | 0.004 | 0.081 | 1.120 | 0.263 | 0.003 | 0.038 | 0.970 | -0.267 | -2.487 | 0.013 |
| (Constant) | -1.415 | -4.352 | 0.000 | -0.306 | -0.577 | 0.564 | 1.643 | 2.581 | 0.010 | -2.751 | -3.782 | 0.000 |
| Highest Percentage of Shareholders | 0.001 | 0.947 | 0.344 | 0.002 | 1.028 | 0.304 | -0.007 | -3.207 | 0.001* | 0.006 | 2.479 | 0.013* |
| Percentage of institutional investors | 0.001 | 1.581 | 0.114 | -0.004 | -2.793 | 0.005* | 0.005 | 3.182 | 0.002* | 0.000 | -0.039 | 0.969 |
| Financial Leverage | -0.920 | -10.776 | 0.000 | 0.299 | 2.146 | 0.032 | 0.197 | 1.179 | 0.239 | -1.416 | -7.412 | 0.000 |
| Firm Size | 0.165 | 4.890 | 0.000 | 0.004 | 0.070 | 0.944 | -0.118 | -1.778 | 0.076 | 0.279 | 3.690 | 0.000 |
| 2.Indcd | 0.018 | 0.244 | 0.807 | 0.202 | 1.699 | 0.090 | -1.059 | -7.440 | 0.000 | 0.875 | 5.377 | 0.000 |
| 3.Indcd | -0.024 | -0.322 | 0.748 | 0.217 | 1.809 | 0.071 | -0.519 | -3.614 | 0.000 | 0.279 | 1.698 | 0.090 |
| 4.Indcd | 0.026 | 0.396 | 0.692 | 0.118 | 1.115 | 0.265 | -0.230 | -1.806 | 0.071 | 0.137 | 0.944 | 0.346 |
| 5.Indcd | 0.078 | 1.231 | 0.219 | 0.177 | 1.707 | 0.088 | -0.905 | -7.292 | 0.000 | 0.806 | 5.684 | 0.000 |
| 6.Indcd | -0.147 | -2.017 | 0.044 | 0.126 | 1.059 | 0.290 | -0.215 | -1.505 | 0.133 | -0.058 | -0.357 | 0.721 |
| 7.Indcd | 0.087 | 1.188 | 0.235 | -0.069 | -0.574 | 0.566 | -0.637 | -4.423 | 0.000 | 0.793 | 4.818 | 0.000 |
| 2017.Date | -0.103 | -2.321 | 0.021 | 0.130 | 1.780 | 0.075 | 0.067 | 0.765 | 0.444 | -0.300 | -3.006 | 0.003 |
| 2018.Date | -0.112 | -2.519 | 0.012 | 0.076 | 1.041 | 0.298 | 0.014 | 0.164 | 0.870 | -0.203 | -2.029 | 0.043 |
| Accounting Conservatism | 6.221 | 25.703 | 0.000* | -0.500 | -1.265 | 0.206 | 0.977 | 2.062 | 0.040* | 5.745 | 10.605 | 0.000* |
| $R^2$ | 0.130 | | | 0.042 | | | 0.171 | | | 0.143 | | |
| | 0.556 | | | 0.440 | | | 0.176 | | | 0.263 | | |
| Adjusted R Square | 0.115 | | | 0.250 | | | 0.156 | | | 0.128 | | |
| | 0.556 | | | 0.260 | | | 0.160 | | | 0.249 | | |
| F-statistic | 8.605 | | | 2.522 | | | 11.833 | | | 9.555 | | |
| | 66.366 | | | 2.454 | | | 11.301 | | | 18.898 | | |
| N : 702 | | | | | | | | | | | | |

*. Correlation is significant at the 0.05 level (2-tailed)

Dependent Variable:REM_CFO,REM_PROD,REM_DISEXP,REM_PROXY

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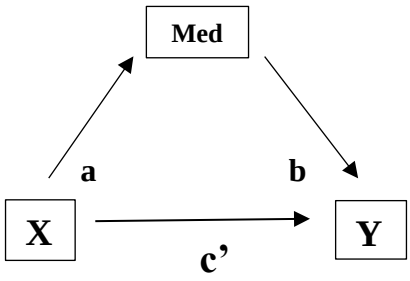
From the table of tests of a mediator, multiple regression which may be called ordinary least squares (OLS) used by (Baron & Kenny (1986); also Kenny et al, (1998) and Judd & Kenny (1981a, 1981b) in relation testing by 4 steps. 1) The relationship between independent variables and dependent variables. (Path c'). The said relationship is statistically significant. 2) The relationship between the independent variable and the interstitial variable (path a), which must be statistically significant. 3) The relationship between the independent variable and the variable (path b) by The relationship must be statistically significant. The relationship between the independent variable and the dependent variable (path c') must be zero. So, it will show that the interstitial variable has a complete effect on the variable as follows (Baron & Kenny (1986).




It illustrated the independent variable of the highest percentage of shareholders and the percentage of institutional investors through the mediator of the accounting conservatism through the variable. According to real earnings management, there is only one variable that has a direct effect that has a significant positive effect when passing through a mediator. The relationship between the highest percentage of shareholders via the accounting conservatism to decorate profit at the expense of the administration. Discretionary Expenses on real earnings management (REM_DISEXP) shows significance of 0.001 with direct effect. Further, the percentage of institutional investors through a mediator of accounting conservatism towards enriching the profits of discretionary expenses on real earnings management (REM_DISEXP) was positive significance 0.002 with direct influence effect when passing an intermediate variable (a mediator).

However, the percentage of institutional investors variables are through the mediator of accounting conservatism through the real earnings management variables with indirect indirect effects. Thus, there are positive implications as follows: Percentage of institutional investors through the mediator of accounting conservatism through variables based on the adornment of Production Costs on real earnings management (REM _PROD) mean is 0.005. The relationship is significant and has indirect effects while independent variables account for the highest percentage of shareholders of accounting conservatism through variables of real earnings management (REM_PROXY) values with the mean of 0.013 shows significant relationship. Furthermore, the indirect effect causes the dependent variable to have only one influence when passing through the middle variable to the follow variable. This can be explained as a phenomenon in the causal relationship of the independent variable to the variable according to the results from the discretionary expenses on real earnings management (REM_DISEXP) and partial mediation results.

## VI. CONCLUSION

This research studies the impact of shareholder structure, including the structure of the highest percentage of shareholders and the percentage of institutional investors through accounting conservatism on variables based on real earnings management. The study found that the impact of the Corporate Governance of the structure of the highest percentage of shares held demonstrating that there is a positive relationship with unconditional conservatism with statistical significance. The unconditional conservatism results additionally shows that high accounting conservatism increases the power of shareholders by means of accruals, resulting in lower profits compared to operating cash flows, reflecting greater economic value. When being very careful, the management chooses to use the necessary discretion between the net profit of the cash flow from operations occurring due to the use of open items. The net profit margin is lower than the cash flow from operations. As for the Percentage of Institutional Investors through Accounting Conservatism against real earnings management variables, the findings showed a negative relationship. The higher proportion of institutional shareholders led to lower performance and more

cautious accounting practices. A high proportion of institutional shareholders will gain control of their power for the benefit of their peers without the expertise in management. It is consistent with the research of Zeitun. (2009),Charfeddine & Elmarzougui. (2010) and Afza & Nazir. (2015) who tested the proportion of institutional shareholders in Jordan, France and Pakistan based on government policies and roles and institutional shareholders have no part to play in the management of the company.

The relationship between accounting conservatism and cash flow from on real earnings management (REM_CFO), production costs on real earnings management (REM _ PROD), real earnings management (REM_PROXY) have a significant positive relationship in the study. On the other hand, Discretionary Expenses on real earnings management (REM_DISEXP) will reflect that management show increased profits through discretionary expenses. For Production Costs on real earnings management (REM_PROD), the results show that real earnings management tends to reduce production in order to increase production costs resulting in companies showing profits and reduced and decorated less profit.

Therefore, the different estimates of the impact of the variable between them may affect the calculation, which is used as a representative of the measurement of corporate governance and real earnings manage is the tool of the company to manage profits and show operating results that affect accounting conservatism. Future research can be further developed by adding or changing variables used in the study of sample grouping or other methods avoiding operating losses and avoiding performance reports that are lower than past performance.

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