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### **Extended Abstract**

## **Investigating the relationship between Earnings Management and Corporate Social Responsibility of Accepted Companies in Tehran Stock Exchange**

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### **Introduction**

Based on information approach, earnings concept indicates output of economic activities; however, as an essential criterion it is suspicious. Actual accounting has given considerable right to managers in determining of the earnings during different periods. In fact, based on this accounting system type, the managers have mass control on time recognizing some of the revenue and expense items. This subject causes an event named earnings management. Earnings management is the process of taking wise steps within the limits of GAAP to achieve the expected earnings.

Optional acts of the managers by earnings management may provide the background to hide real value of assets and financial position, and create negative outcome for stockholders, employees, society, managers' and their joy security.

On the other hand, social responsibility pays attention to ethical subjects with relation to behavior and decision making of the company about subjects such as human resource management, environmental sponsor, occupational health, social relationships, and the relation to

customers and suppliers.

Taking part in social responsibility activities, not only improves the stockholders' satisfaction, but has a positive effect on company' credits, that is, the disclosure on company's social responsibility creates a favorite picture of company among the stockholders.

Earnings management behaviors may threaten the stakeholders' interests, so, it's expected the managers that manage earnings consider the social responsibility more because of satisfy action of the stakeholders.

This study investigates the empirical relationship between earnings management and company's social responsibility using data from the Tehran Stock Exchange.

### **Research Questions or Hypothesis**

In this study our hypotheses are:

H1: there is a significant relationship between social responsibility and earnings management of listed companies in TSE.

H2: there is a significant relationship between company performance and earnings management of listed companies in TSE.

H3: there is a significant relationship between company performance and social responsibility of listed companies in TSE.

H4: social responsibility side by side with to earnings management behaviors has a deductive effect on performance of listed companies in TSE.

H5: there is a significant relationship between organizational commitment and earnings management of listed companies in TSE.

H6: there is a significant relationship between organizational commitment and performance of listed companies in TSE.

### **Methods**

The empirical methods used include multiple regression models, correlation tests, and Granger causality tests.

## Results

Findings show that there is a negative relation between corporate social responsibility and earnings management, and 16% of CSR variation is affected by company size, financial resources and EM, adversely. Too, Corporate Financial Performance (CFP) has positive relation with EM and has negative relation with CSR, but CSR mid EM reduces adverse effect of CSR on CFP, and improves Financial Performance. Organizational commitment has negative relation with EM and CFP.

## Discussion and Conclusion

Findings revealed that the earnings management of social responsibility had less stability during research period. Indicating that the earnings management is affected by factors other than CSR.

Iranian managers do not use CSR as a shield for EM subject or do not need to hide behind this shield, because attention to such responsibilities cause company performance reduction in short-time.

Granger causality test shows that organizational commitment, company financial performance, and financial resources may be the cause of the earnings management in listed companies of TSE.

The reason of deviation of the results of this study from foreign studies especially in investigating the relationship between earnings management and social responsibility, may be a lack of social responsibility and suitable knowledge of this subject among Iranian managers.

**Keywords:** Earnings Management (EM), Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP).