Study on the Relation between Gender Characteristics of CFO and Earnings Management

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Abstract. Based on panel data of A-share listed companies in Shanghai and Shenzhen Stock Exchange from 2013 to 2017, according to the "Upper echelons theory", the relation between gender characteristics of CFO and earnings management was empirically tested with ordinary least squares (OLS) regression model. The study proves that: (1) CFO gender has a significant impact on earnings management. Compared with the company with male CFO, the company with female CFO has a lower overall level of earnings management. (2) The higher the education level of female CFO, the stronger the negative correlation with earnings management degree. This paper provides a new perspective for the study of the influencing factors between CFO gender and earnings management, and also broadens the angle for the research of company earnings management, which has certain significance for the appointment of senior executives of listed companies and the promotion of the healthy development of China's capital market.

1. Introduction

Since the 21st century, financial scandals have broken out in Enron, WorldCom, and other famous large companies, and a large number of financial fraud events have made investors doubt the authenticity and reliability of the quality of accounting information of listed companies. The incessant financial frauds not only make the shareholders and investors tremble with fear, but also declare the severity of the phenomenon of management accounting earnings manipulation to the world. The occurrence of financial fraud events is related to the agency problem caused by the separation of two powers in corporate governance. Due to the moral hazard and adverse selection caused by agency problem, the company's senior executives may manipulate the accounting earnings information artificially.

"Upper echelons theory" is one of the theories to study the influence of management and earnings management, which was first proposed by Hambrick and Mason. When senior executives make strategic decisions, they cannot fully understand or consider all aspects of things on account of the complexity of internal and external environment and the limitation of their own cognition. Therefore, the personal characteristics of managers affect the company's decision-making, which in turn affect the company's behavior including earnings management. However, there is heterogeneity within the management, so it would be biased to study the relation between the management and earnings management in a general way.

In recent years, under the background of the new era, CFO has gradually moved from behind the scenes to the stage, and its functions have been given new meanings. CFO is an important part of the
senior executive team and, in theory, has a great impact on the quality of earnings. CFO has a main responsibility for the company's internal financial management and capital operations and a direct responsibility for the generation of the company's financial reports, and also an obligation to provide real and reliable financial information to the outside. As a supplier of information, CFO has irreplaceable information advantages, which will facilitate their manipulation of earnings management. Some scholars think CFO is the executor of CEO's orders and has no great influence. But in recent years, some scholars have verified that CFO has an important impact on earnings management (Qiu Yufang, 2011). From a practical angle, the quality of earnings management is inseparable from the role of CFO. According to the “upper echelons theory”, personal characteristics of CFO affect the company's decision-making and behavior. Therefore, there is some relation between personal characteristics of CFO and earnings management.

Recently, the relation between female and earnings management has been widely discussed. As one of the personal characteristics, gender affects the way of thinking, risk preference, etc. CFOs of different genders have different requirements on the quality of earnings management, which will influence the company's earnings management behavior. According to the existing theory, because of their prudence, risk aversion and so forth, women would conduct less earnings management. But is this really the case? According to the existing literature, whether female CFOs tend to reduce earnings management is controversial and has not been unified.

In consideration of this, for the controversy among research conclusions, the relation between gender characteristics of CFO and earnings management will be analyzed in depth. Based on the panel data of A-share listed companies in Shanghai and Shenzhen Stock Exchange from 2013 to 2017, this paper empirically tests the relation between CFO gender and earnings management. The study found that CFO gender had a significant impact on earnings management. Compared with the company with male CFO, the company with female CFO has a lower overall level of earnings management. The higher the education level of female CFO, the stronger the negative correlation with earnings management degree. The study contribution of this paper may lie in: (1) Through reading and combing the existing literature, it is found that most scholars study the impact of gender, tenure, education, age and other characteristics of senior executives on earnings management, but few literature study the relation between CFO gender and earnings management alone. By subdividing the samples, this paper explores the relation between CFO gender and earnings management from the perspectives of corporate controller’s nature and corporate economic region respectively, which is conducive to exploring relation between the two deeply. (2) In most literature, education characteristic is set as a single variable to study its relation with earnings management. On the premise of CFO's educational background, this paper studies the correlation between CFO gender and earnings management degree. By subdividing the samples, on the premise of CFO gender, this paper explores the relation between education characteristic and earnings management degree from the perspectives of corporate controller’s nature and corporate economic region respectively, which is helpful for us to have further information about correlation between CFO gender and earnings management. (3) The study conclusion not only broadens the research perspective of improving the quality of accounting earnings, but also promotes the optimization and allocation of resources in China's capital market, which is of important theoretical and practical significance to the healthy development of China's capital market.

2. System background, Literature review and Research hypothesis

2.1 System background

Ancient China was a feudal small-scale peasant economic society. As a result of the natural physical strength gap between men and women, women were always excluded from the workplace. Women cannot produce more value than men by themselves and they were in a weak subordinate position. The social role attributes revealed by "men take care of the outside and women take care of the inside" has always influenced the development of women' social status.

However, with the establishment of new China and the advocacy of "equality between men and women", the social status of modern women has been significantly improved in recent decades. Because of the changes of modern economy, physical factors no longer make sense. With the rise of
service industry in the tertiary industry and the change of consumption pattern, women' unique gender characteristics may have more advantages in the workplace. However, unlike men, women may face more challenges in the workplace for biological factors, social cognition, cultural traditions and gender differences. The existence of the "glass ceiling" effect makes it more deeply meaningful to explore the influence of CFO gender on the behavior of the company.

2.2 Literature review

For the earnings management from the perspective of CFO gender, there are roughly two ways of thinking: First, female CFO will reduce earnings management degree of the company. By selecting listed companies from 2004 to 2005 as samples, Baruaetal(2010) drew the conclusion that the company with female CFO had better earnings quality. He Weifeng et al. (2010) found that companies with a high proportion of male senior executives had a low quality of earnings information instead. Zhang Zhaoguo et al. (2011) found that the proportion of male executives in the senior executive team was negatively correlated with positive earnings management. Second, CFO gender has nothing to do with the company's earnings management. XieZhiming, Yi Xuan and Liu Haiyue (2014) found that the gender difference of managers had no significant influence on earnings management of company. LYU Xiaoliang (2016) used the absolute value of discretionary accrual (ABSDA) as an alternative variable of earnings quality, and found senior executives' gender had no significant effect on earnings quality.

For the earnings management from the perspective of CFO education, there are basically two ways of thinking: First, the higher the education level of female CFO, the stronger the negative correlation with earnings management degree. Ginsberg (1990) believes that the education level of individuals in the executive team is positively correlated with their social cognition level. The higher the education level, the stronger the ability to acquire information, and the more favorable for the senior management team to manage the company. Wang Xia et al. (2011) found that if the financial executive of an enterprise has financial professional qualification, the quality of earnings management would be improved to some extent. Second, there is no significant correlation between the education of female CFO and earnings management. Wang Chao (2013) with empirical study concluded that the education level of senior executives had no significant impact on earnings management. QiuYufang et al. (2011) found that education level of CFO and accounting background had no significant positive impact on the quality of accounting information of listed companies.

2.3 Research hypothesis

According to the upper echelons theory, due to the limitation of the background characteristics of senior executives, managers may make different decisions when formulating corporate strategy, which will have corresponding economic consequences (Hambrick and Mason, 1984). However, according to the psychological contract theory of Slien(1994), differences in some characteristics of individuals will develop as they mature, and then modify their original decisions. Therefore, this paper believes that as the characteristics of CFOs gradually mature, their decisions before will be continuously revised.

CFOs of different genders have different management styles. On account of the feudal ideology from ancient China of "men are superior to women" and the influence of modern business environment, the proportion of women in senior management team is not high. But as the business environment changes and the number of female executive increases, influence from gender gap between male and female is becoming larger. Women' leadership style is compared to "dolphin leadership", which tends to be cooperative and democratic, while men tend to be authoritative and autocratic (Kushell and Newton, 1986). This two leadership styles with large differences will have an impact on the behavior and major decisions of the senior management team. Based on the above analysis, women may influence the quality of earnings management by influencing the leadership style of the executive team. In general, female CFOs are more risk-conservative and cautious than male. Therefore, women serving as senior executives may reduce the occurrence of earnings management behaviors, and make the earnings management level decline.

To sum up, this paper proposes hypothesis one.

H1: Female CFO will reduce the earnings management degree.

The research of Chemmanuretel found that a higher education level of senior management team can significantly improve the quality of enterprise management. Generally speaking, people with
higher education level will have stronger ability to collect and process information, pay more attention to the long-term interests of the company and their own long-term development, and make company decisions that benefit others as well as themselves. On the one hand, for managers, higher education level may enable them to have an abundant reserve of accounting knowledge, which contributes to the identification of complex accounting behaviors. On the other hand, the higher the education level, the higher the cognition level of laws and regulations. For the good development of enterprises, they may not use the flexibility of accounting methods to manipulate earnings management, which in turn makes the earnings quality of enterprises more reliable. The research of Aier et al. (2005) shows that the education level of senior executives is positively correlated with the robustness of financial accounting policies of enterprises, and the financial administrators with higher education have lower probability of financial restatements. Therefore, on the premise of gender, the characteristic difference of educational level is negatively correlated with the earnings management level.

To sum up, this paper proposes hypothesis two.

H2: The higher the education level of female CFO, the stronger the negative correlation with earnings management degree.

3. Research design

3.1 Data source and Sample selection

The research data of this paper mainly comes from CSMAR database. The financial data, senior management team information and audit opinion data of A-share listed companies in Shanghai and Shenzhen Stock Exchange from 2013 to 2017 are selected.

For those sample companies with incomplete information, their data were supplemented manually by cninfo (http://www.cninfo.com.cn/) and the annual report of listed companies.

After obtaining the initial sample data, this paper selects the samples according to the following criteria:

(1) According to the latest industry classification issued by China Securities Regulatory Commission, all listed companies in the financial industry are excluded; (2) Companies that become ST or *ST in any year between 2013 and 2017 are excluded; (3) Companies whose information of senior management team, relevant financial data and audit opinion data that cannot be obtained are excluded. After the filter with above principles, 11240 effective observations of unbalanced panel data were finally obtained. The data was processed by Excel 2016, and the regression was completed by Stata 12.0 software.

In this paper, CFO is defined as Financial director, Financial administrator, Chief financial officer, financial manager and so forth.

3.2 Variable definition

3.2.1 Explained variable

The explained variable in this paper is the overall earnings management level of the company. There are many classical models in measuring accrual earnings management, such as De Angelo (1986) model, Healy (1985) model, Jones (1991) model and modified Jones model (Dechow et al., 1995), etc. In this study, modified Jones model by industry and year was adopted to measure earnings management degree of companies. This paper uses cross-section modified Jones model to measure the discretionary accruals of listed companies. Since discretionary accruals cannot be directly calculated, the indirect method is used to calculate non-discretionary accruals first, and then the non-discretionary accruals is subtracted from the total profits, that is to say, discretionary accruals is obtained.

The measurement model and calculation steps are as follows:

First of all, the company's accounting earnings include two parts: cash flow from operating activities and accrued profit. The company's operating profit (NFi,t) is equal to the sum of the net cash flow generated by operating activities (CFOi,t) and the total accrued profit (TAi,t), which was calculated by model (1):

\[ TA_{it} = NFi_{it} - CFO_{it} \] (1)

Secondly, model (2) was used to conduct regression on the sample data by year and industry, and the regression coefficient was obtained:
\[ T_{i,t}^{\text{TA}} = \frac{1}{A_{i,t-1}} + \alpha_2 \frac{\Delta RE_{i,t}}{A_{i,t-1}} + \alpha_3 \frac{PPE_{i,t}}{A_{i,t-1}} + \epsilon_{i,t} \]  

(2)

Thirdly, the regression coefficient of model 3-2 was introduced into the third model, and the non-discretionary accruals (NDA_{i,t}) was obtained:

\[ NDA_{i,t} = \frac{1}{A_{i,t-1}} + \alpha_2 \left( \frac{\Delta RE_{i,t}}{A_{i,t-1}} - \frac{\Delta RC_{i,t}}{A_{i,t-1}} \right) + \alpha_3 \frac{PPE_{i,t}}{A_{i,t-1}} \]  

(3)

Finally, according to the total accruals equal to the sum of discretionary accruals and non-discretionary accruals, discretionary accruals (DA_{i,t}) was obtained:

\[ DA_{i,t} = \frac{T_{i,t}^{\text{TA}}}{A_{i,t-1}} - NDA_{i,t} \]  

(4)

Among them, TA_{i,t} is the total accrued profit of listed company i in period t; NF_{i,t} is the operating profit of listed company i in period t; CFO_{i,t} is the net cash flow of company i in period t; A_{i,t-1} is the total assets of listed company i at the end of period t-1; \Delta RE_{i,t} is the difference between the main business income of period t and period t-1. PPE_{i,t} is the scale of fixed assets of company i at the end of period t; \epsilon_{i,t} is the residual; \Delta RC_{i,t} is the variation amount of receivables of company i in period t and t-1; NDA_{i,t} is the discretionary accruals of company i in period t.

3.2.2 Explanatory variable

According to hypothesis one, this paper needs the gender(Gender) variable of CFO of each enterprise. In this paper, the CFO gender(Gender) was set as a dummy variable while 0 represents male and 1 represents female.

According to the second hypothesis, this paper needs educational level(Edu)variable of CFO of each enterprise. In this paper, the education level variable of CFO was set as follows: 1 represents high school education or education below high school or technical secondary school, 2 represents junior college education, 3 represents undergraduate education, 4 represents postgraduate education, 5 represents doctoral education or above, and 6 represents other education (published in other forms).

3.2.3 Control variable

In order to enhance the stability of regression results, this paper controls other variables that affect the earnings management degree. The control variables selected in this paper mainly include company size (Size), Debt-to-assets ratio (Debt), profitability (ROA), audit opinion (SJ), and year and industry variables.

The definitions of each variable in this paper are shown in table 1:

| Variable | Variable definition |
|----------|---------------------|
| absDA    | The overall earnings management level, absolute value of discretionary accrual calculated by modified Jones model |
| Gender   | CFO gender, 0 for male, 1 for female |
| Edu      | Educational level of CFO, 1 for high school education or education below high school or technical secondary school, 2 for junior college, 3 for undergraduate, 4 for postgraduate, 5 for doctor or above, 6 for others |
| Size     | Company size, natural logarithm of total assets at the end of last year |
| Debt     | Debt-to-assets ratio, ratio of total debts to total assets at the end of the year |
| ROA      | Profitability, ratio of net profit to total assets at the end of the period |
| SJ       | The type of audit opinion, 1 for the standard unqualified opinion, 0 for others |
| Soe      | Enterprise nature: 1 for state-owned enterprises, 0 for non-state-owned enterprises |
| Area     | Enterprise economic area: 1 for the East, 2 for the middle, 3 for the West and 4 for the Northeast |
| industry | Industry variable |
| Year     | Year variable |

3.3 Model setting

In order to test the relation between CFO gender and earnings management, the following regression model was established in this paper:
Knowledge representation:

absDA = β0 + β1gender + β2lnSIZE + β3lnDEBT + β4lnROA + β5SJ + ε

On the basis of model 1, model 2 further introduces the interaction item of CFO education level and gender as explanatory variable to test the relation between CFO education level and earnings management, so as to verify hypothesis 2. Regression model 2 was established.

absDA = β0 + β1gender edu + β2edu + β3lnSIZE + β4lnDEBT + β5lnROA + β6SJ + ε

Among them, absDA is the explained variable, β is the regression coefficient and ε is the random error term.

4. Empirical test and analysis

4.1 Descriptive statistics

Table 2

| Variable | Obs  | Mean     | Std. Dev. | Min  | Max  |
|----------|------|----------|-----------|------|------|
| gender  | 11240| 0.327043 | 0.4691552 | 0    | 1    |
| edu     | 11240| 2.393238 | 1.507578  | 0    | 6    |
| SOE     | 11240| 0.0874555| 0.282514  | 0    | 1    |
| area    | 10886| 1.558699 | 0.9042335| 1    | 4    |
| SIZE    | 11240| 21.91831 | 1.329691  | 14.9164 | 29.75925 |
| DEBT    | 11240| 0.4308884| 0.639535  | 0.1947 | 63.97121 |
| ROA     | 11240| 0.0410943| 1.129178  | -48.3159| 108.3657 |
| SJ      | 11240| 0.961032 | 0.1935273 | 0    | 1    |
| absDA   | 11240| 2.219169 | 1.321177  | 0    | 8.663542 |

In order to verify preliminarily the hypotheses proposed in this paper, descriptive statistics were conducted, and the specific results are shown in table 2. According to the results in table 2, the mean value of earnings management is 2.22, which shows that there is a common phenomenon of earnings management among enterprises. And its standard deviation is 1.32, which shows that there are differences in the earnings management degree among different enterprises. In addition, the mean value of gender is 0.327, which indicates that the CFO gender is mainly male, and the proportion of female CFO is relatively small among listed companies. The mean value of education level is 2.39, which shows education level of CFO is basically concentrated in undergraduate. The standard deviation of gender and education background characteristics is 0.46 and 1.5, indicating that there are also differences in CFO characteristics among enterprises, which provides a good sample for this study.

4.2 Regression analysis

Table 3

| Variable | Total Sample | State-owned enterprises | Non-State-owned enterprises |
|----------|--------------|-------------------------|-----------------------------|
| gender1  | -0.0733***   | -0.0782**               | -0.0700***                   |
|          | (-6.3552)    | (-2.0434)               | (-5.7784)                   |
| lnSIZE   | -0.4323      | 0.9947                  | -0.5248                     |
|          | (-1.3281)    | (0.8179)                | (-1.5423)                   |
| lnDEBT   | -0.0462      | 0.1610                  | -0.0572*                    |
|          | (-1.5986)    | (1.3683)                | (-1.9211)                   |
| lnROA    | -0.0019      | 0.1197**                | -0.0137                     |
|          | (-0.1378)    | (2.5645)                | (-0.9575)                   |
| SJ       | -0.006       | -0.3081                 | 0.0054                      |
|          | (-0.06099)   | (-0.8376)               | (0.0617)                    |
| _cons    | 3.3415***    | -0.1784                 | 3.5707***                   |
|          | (-3.3013)    | (-0.0475)               | (3.3753)                    |

Note: *** , ** and * mean significant at the level of 1%, 5% and 10% respectively.

In order to verify hypothesis 1 proposed in this paper, regression analysis was conducted on the model, and the specific results are shown in table 3.

Table 3 tests the correlation between gender characteristics of CFO and earnings management degree on the total sample, and the regression results show that CFO gender is negatively correlated
with earnings management degree, which is significant at the level of 1%. It shows that a company with female CFO have a lower overall earnings management level than one with male CFO.

In China's capital market, there are two different ownership forms of enterprises: state-owned enterprises and non-state-owned enterprises. Due to the different ownership forms, managers of these two types of enterprises face different operating pressures and objectives, so whether to conduct earnings management and the motivation of earnings management should also be different. In order to verify the difference between the two, this paper respectively tests the correlation between the gender characteristics of CFO and earnings management degree among state-owned enterprises and non-state-owned enterprises. The regression results show that CFO gender is negatively correlated with earnings management degree among state-owned enterprises, which is significant at the level of 5%. And CFO gender is negatively correlated with earnings management degree among non-state-owned enterprises, which is significant at the level of 5%. From the perspective of the contrast between state-owned enterprises and non-state-owned enterprises, the earnings management degree of state-owned enterprises. It may be because the higher the country shareholding, the lower the earnings management degree. However, there is no significant change between them and the whole sample, which verifies hypothesis 1.

Table 4

|                | The east | The middle | The west | The northeast |
|----------------|----------|------------|----------|--------------|
| gender1        | -0.0704*** (-4.8854) | -0.0845** (-2.4289) | -0.0494* (-1.7637) | -0.0595 (-1.3626) |
| lnSIZE         | -1.0222** (-2.5360) | 1.7758* (1.7590) | -0.1771 (-0.2257) | -0.1846 (-0.1333) |
| lnDEBT         | 0.0032 | -0.2437*** (-2.7995) | -0.0312 (-0.3985) | -0.0675 (-0.5140) |
| lnROA          | -0.0174 (-0.9923) | 0.0076 (0.2026) | 0.0281 (0.7915) | 0.0139 (0.2607) |
| SJ             | 0.0248 | -0.0469 (-0.1949) | -0.1776 (-0.9132) | 0.3868 (1.1854) |
| _cons          | 5.1527*** (-4.1048) | -3.5039 (-1.1149) | 2.7424 (1.1247) | 2.2449 (0.5185) |

Note: ***, ** and * mean significant at the level of 1%, 5% and 10% respectively.

In the process of China's economic development, there exists phenomenon of unbalanced regional development, which has an important impact on earnings management and governance of listed companies. From the perspective of regional characteristics of company, this paper further explores the CFO gender and earnings management of listed companies. As is shown in table 4, CFO gender is negatively correlated with earnings management degree in the eastern, middle and western regions of China, which is all significant at 1%, 5% and 10% respectively. However, in the northeast, there is no significant correlation between CFO gender and earnings management degree. Generally speaking, the higher the marketization degree, the higher the probability to conduct earnings management. Compared with the eastern region, the marketization degree in the middle, western and northeastern regions is decreasing. Due to its unique characteristics of northeast old industrial base, the marketization degree in northeast China is relatively low, i.e., the correlation between CFO gender and earnings management degree is small. In other words, there is no significant correlation between CFO gender and earnings management degree in the northeast.

Table 5

| abDA          | Coef.  | Std. Err. | z     | P>|z|  | [95% Conf. Interval] |
|---------------|--------|-----------|-------|------|----------------------|
| gender EDUC   | 0.0507124 | 0.0196032 | 2.59  | 0.01 | 0.012291              |
| edu           | -0.1526142 | 0.0590485 | -2.58 | 0.01 | -0.2683               |
| lnSIZE        | -0.3742453 | 0.3268261 | -1.15 | 0.252| -1.0148               |
| lnDEBT        | -0.0518091 | 0.0289617 | -1.79 | 0.074| -0.10857              |
| lnROA         | 0.0023312 | 0.0136284 | 0.17  | 0.864| -0.02438              |
| SJ            | -0.002314 | 0.0852146 | -0.03 | 0.978| -0.16933              |
| _cons         | 3.357013 | 1.017922  | 3.3   | 0.001| 1.361922              |

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In order to further explore the relation between gender and earnings management, the cross variable of gender-education was added into hypothesis two to verify the relation between gender, education and earnings management. Regression analysis was carried out on the model, and the specific results are shown in table 5.

Table 5 tests the influence of CFO gender difference and education level among different listed companies on total sample. The regression results show that the higher the education level of female CFO, the lower the earnings management degree. That is to say, on the premise of the same, earnings management level of state-owned enterprise is lower. Thus hypothesis 2 is verified.

In China's unique capital market, due to the different ownership forms of state-owned enterprises and non-state-owned enterprises, it is necessary to explore the differences between the two. Regression results show that in state-owned enterprises, the higher the education level of female CFO, the stronger the negative correlation with earnings management degree, which is significant at the level of 1%. In non-state-owned enterprises, the education level of female CFO is negatively correlated with earnings management level, which is significant at the level of 5%. Compared with the total sample, the higher the education level of female CFO of state-owned enterprises, the lower the earnings management level, which is significant at the level of 5%. Compared with the total sample, when the companies with female CFO whose education level are roughly the same, earnings management level of state-owned enterprise is lower. Thus, hypothesis 2 is verified.

### Table 6

|          | Total sample | Non-State-owned enterprises | State-owned enterprises |
|----------|--------------|-----------------------------|-------------------------|
| gender_edu | 0.0501***    | 0.0411**                   | 0.1121*                 |
|          | (2.8053)     | (2.1874)                   | (1.9081)                |
| edu1     | -0.1659****  | -0.1337**                  | -0.4604****            |
|          | (-3.3383)    | (-2.4108)                  | (-2.6047)              |
| lnSIZE   | -0.4715      | -0.5328*                   | -0.0024                |
|          | (-1.5457)    | (-1.6663)                  | (-0.0023)              |
| lnDEBT   | -0.0489*     | -0.0564**                  | 0.1353                 |
|          | (-1.7853)    | (-1.9971)                  | (1.2433)               |
| lnROA    | 0.0008       | -0.0107                    | 0.1218***              |
|          | (0.0624)     | (-0.8021)                  | (2.8288)               |
| SJ       | -0.0520      | -0.0498                    | -0.2100                |
|          | (-0.6688)    | (-0.6211)                  | (-0.5886)              |
| _cons    | 3.6770****   | 3.8148***                  | 3.0035                 |
|          | (3.8710)     | (3.8329)                   | (0.9124)               |

*Note: *** and * mean significant at the level of 1%, 5% and 10% respectively.*

Regional imbalance is a common phenomenon in China's economic development. In order to explore deeply the influence of regional imbalance and earnings management of listed companies, this paper studies the education level of female CFO and earnings management of listed companies. As is
shown in table 7, in eastern China, the education level of female CFO is negatively correlated with earnings management level, which is significant at the level of 1%. However, in the middle, western and northeast regions, there is no significant correlation between the education level of female CFO and earnings management level.

5. Research conclusion

As an important member of the senior management team, personal characteristics of CFO will have important impact on the enterprise governance. This paper selects A-share listed companies from 2013 to 2017 as a sample to study the relation between personal characteristics of CFO and earnings management. It is found that company with female CFO has a lower earnings management degree. In the context of gender, the more educated the CFO, the lower earnings management degree conducted by the CFO. In other words, under the premise that the CFO is female, the higher education level, the lower earnings management degree.

The conclusion of this paper is enlightening to a certain extent. First of all, the gender characteristics of CFO will significantly affect the earnings management level of the enterprise, so it is necessary for the enterprise to clarify the gender requirements of CFO according to the industry and development stage of the enterprise, attach importance to the educational experience of the CFO, and continuously improve the professional ability and the financial management ability of CFO of the enterprise. Secondly, the research of this paper shows that most Chinese companies carry out earnings management. Therefore, in order to protect the interests of shareholders, government and others, we need to strengthen the supervision of company’s accounting information quality; Finally, optimizing the supervision of regulatory agencies, external investor protection and other external governance mechanisms helps to alleviate the problem of information asymmetry and reduce the space and motivation for enterprises to conduct earnings manipulation.

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