

# Earnings management and corporate efficiency pre- and post-IFRS: evidence from Taiwanese listed electronics corporations

Corporate  
efficiency pre-  
and post-IFRS

523

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## Abstract

**Purpose** – This study aims to examine the relationships among International Financial Reporting Standards (IFRS) adoption, earnings management, and corporate efficiency.

**Design/methodology/approach** – First, the authors employ the epsilon-based measure (EBM) of the data envelopment analysis to measure the corporate performance of the Taiwanese electronics industry from 2011 to 2014. Second, the authors regress the IFRS adoption and earnings management on corporate efficiency.

**Findings** – The findings show that the corporate efficiency deteriorated after IFRS adoption. Although the regression analysis shows that the relationship between earnings management and corporate efficiency is significantly positive, the authors find that IFRS adoption is effective in unveiling earnings management. Moreover, IFRS adoption moderates the impact earnings management and corporate efficiency.

**Research limitations/implications** – This study provides reference for decision-makers in the application of accounting principles and in the understanding of the IFRS impact adoption.

**Practical implications** – IFRS adoption can either facilitate or limit the earnings management that would affect corporate efficiency significantly and help the electronics industry as well as investors to know the changes in accounting principles and their effects on corporate efficiency.

**Originality/value** – The authors use the EBM of efficiency model to measure corporate efficiency and employ the modified Jones model to measure earnings management.

**Keywords** Data envelopment analysis, Epsilon-based measure, IFRS adoption, Earnings management, Corporate efficiency

**Paper type** Research paper

## 1. Introduction

Corporate efficiency has incessantly been a goal of firms. However, achieving corporate efficiency is challenging in this industrial and knowledge economy with its competitive environment. Moreover, numerous studies have examined the phenomenon of efficiency. Interestingly, efficiency is analyzed in distinctive fields of research and consists of innovation efficiency (Gao and Chou, 2015), environmental efficiency (Zhang *et al.*, 2016), intellectual capital efficiency (Kweh *et al.*, 2013), technical and scale efficiency (Miller and Noulas, 1996),

