Table of Contents

ABSTRACT

Real Earning Management (REM) and Accrual Earning Management (AEM) are a significant notion that is progressively being deliberated and adopted worldwide. Some of the reasons why companies adopt Real Earning Management (REM) and Accrual Earning Management (AEM) were; compliance with the law, to enhance a competitive advantage as it is the right thing to do for the firms. The main purpose of study is to shed light on the impact of Real Earning Management (REM) and Accrual Earning Management (AEM) on firm's financial performance; evidence from distressed firms and non-distressed firms. Data was obtained from audited financial statement by using Thomson router Data Stream. Secondary data was obtained from the year 2010 to 2017. The study adopted a descriptive research design to test, for the linear relationship between financial performance and Real Earning Management (REM) and Accrual Earning Management (AEM). Targeted population comprised of 225 non-financial firms of which, complete and necessary data available. The study applied multiple regression analysis model to assess the influence of Real Earning Management (REM) and Accrual Earning Management (AEM) on financial performance. Financial performance indicators return on assets (ROA), Return on equity (ROE), Price Earning Ratio (PE) and Earnings per Share (EPS) were dependent variables while Real Earning Management (REM) and Accrual Earning Management (AEM) used as an explanatory variables in the study. For analysis purpose used fixed and random effect models and based on Hausman test random model was best for analysis. From the result it was concluded that Real Earning Management (REM) had significant impact on firm's performance in destressed firms and insignificant impact on firm's performance in non-destressed firms and Accrual Earning Management (AEM) had significant impact on firm's performance in destressed firms and insignificant impact on firm's performance in non-destressed firms. Some recommendations were provided for future use to any researcher in this hypothetical arena.

Keywords:
Real Earning Management (REM), Accrual Earning Management (AEM), Return on assets (ROA), Return on equity (ROE), earnings per share (EPS) and Price Earning ration (PE).