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Hodges, Ron

DOI:

10.1080/09540962.2023.2267302

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Document Version

Publisher's PDF, also known as Version of record

Citation for published version (Harvard):

Hodges, R 2024, 'Debate: Extending the literature on accounting information manipulation', *Public Money & Management*, vol. 44, no. 2, pp. 152-153. https://doi.org/10.1080/09540962.2023.2267302

Link to publication on Research at Birmingham portal

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### **Public Money & Management**



ISSN: (Print) (Online) Journal homepage: www.tandfonline.com/journals/rpmm20

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### **Ron Hodges**

**To cite this article:** Ron Hodges (2024) Debate: Extending the literature on accounting information manipulation, Public Money & Management, 44:2, 152-153, DOI: 10.1080/09540962.2023.2267302

To link to this article: <a href="https://doi.org/10.1080/09540962.2023.2267302">https://doi.org/10.1080/09540962.2023.2267302</a>









### Debate: Extending the literature on accounting information manipulation

#### Ron Hodges

Emeritus Professor of Accounting, Birmingham Business School, University of Birmingham, UK

#### Introduction

Van Helden et al. (2023) provide a useful contribution to the literature on accounting information manipulation (AIM) in the public sector, reminding us that studies to date have concentrated on the settings in which AIM occurs and the forms of manipulation used. In this short response, I suggest why research into the various forms of AIM is based largely upon quantitative research methods and why moral and ethical aspects of AIM are under-represented in the literature. I will then suggest how research into AIM might be developed consistent with that described in Van Helden et al. (2023).

#### Comparing public and private sector AIM studies

AIM research has predominated in private sector studies. By way of comparison, the recent wide-ranging public sector structured literature review by Bisogno and Donatella (2022) is based on 78 published papers, whereas the private sector international literature review by Habid et al. (2022) identified 154 relevant papers. This is despite the former being based upon a longer period of publication of papers (1980 to 2020 compared with 2006 to 2021) and that the latter review considers only earnings management relating to departures from normal operating practices (real earnings management—REM) and excludes those forms of AIM designed to manipulate earnings through the application of accruals accounting (accruals earnings management—AEM).

Two features common to both public and private sector studies are identified by Bisogno and Donatella (2022) and Habid et al. (2022). The vast majority of studies use some form of quantitative methodology. This reliance on quantitative methods, often applied to large data sets, is a common feature of publications in leading accounting research journals. Scholars may be encouraged to publish in such journals and use quantitative research methods to further their careers (Argento & Helden, 2023). Furthermore, quantitative research based upon public domain data avoids the need to gain access to individual organizations and individuals.

The second similarity between research on the public and private sectors is that relatively little attention has been given to the consequences of AIM or to the moral or ethical stances taken by actors and stakeholders. Van Helden et al. (2023) recognize that AIM remains fully or partly hidden to outsiders, which makes it particularly difficult to identify and for the ethical position of actors to be determined. They suggest that 'real-life constructs' (RLCs) should be used in which research participants are presented with short case studies about ethical dilemmas.

#### Using Delphi-type studies with real-life constructs

I believe that RLCs could be effective, but only if the research participants are chosen carefully for each study. The cohort needs to have an understanding of the type of issues that may arise in practical settings and the pressures and limitations that managers and employees may be under in dealing with such issues. Questionnaires, possibly followed by a selection of interviews, might then be used to seek a consensus amongst the cohort in respect of their ethical positions. This approach is sometimes referred to as a 'Delphi study' (see Brady, 2015). Delphi studies involve a selected cohort of individuals, whose judgements and ethical positions are of interest to the researcher. Such persons might be policy-makers or senior officials, although one benefit of this method is that the researcher might target those who are not traditionally approached by those conducting interview-based research, such as staff in less powerful positions in organizations or community-based service users. The questionnaires could be based upon RLCs to identify the initial ethical perspectives of members of the cohort and developed through subsequent rounds. Identification of a consensus position amongst members of the cohort might be possible, with the development of theory informed by any such consensus (for example see Fisher & Downes, 2008).

Such methods would help to throw light on a number of ethical propositions. For example, is AIM for personal gain morally reprehensible than AIM to support organizational goals (Jones & Euske, 1991)? Perhaps the latter is seen to be 'doing good by stealth' on behalf of the organization. Similarly, is using REM (such as reducing staff training and development) to achieve financial targets in the short term more ethical than using AEM manipulating the periodic financial statements) (McGuire et al., 2012)? Perhaps changes to operational procedures can be justified as rational decisions, making managers less prone to disciplinary procedures. The reported accounting numbers reflect what has happened, even if the underlying events are abnormal, making AIM more difficult for auditors to identify than utilizing abnormal accruals adjustments to implement AIM at the end of the accounting period.



#### **Conclusions**

Research into moral and ethical aspects of AIM requires the use of qualitative methods. Questionnaires incorporating RLCs to identify consensus positions, perhaps with followup interviews, is a potential way ahead. The selection of an appropriate cohort of participants in the research is a vital element in this process.

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Ron Hodges is Emeritus Professor of Accounting at the Birmingham Business School, University of Birmingham, UK, specializing in public sector accounting and reporting during his academic career. He was a member of the Financial Reporting Advisory Board of the UK Treasury from 2012 to 2018. He has acted as an advisor for the National Audit Office and the Communities and Local Government Select Committee of the House of Commons.