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EARNINGS MANAGEMENT AND ANALYST COVERAGE CHANGES AROUND IFRS IMPLEMENTATION: EVIDENCE FROM FRANCE

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ABSTRACT

Using a sample of French companies listed on the stock index CAC ALL TRADABLE, this paper analyzes the relation among analyst coverage and earnings management. We find that after the introduction of International Financial Reporting Standards (*IFRS*) *and over a period from 2005 till 2011, analysts' coverage and experience reduce the level of earning management.*

JEL: G29

KEYWORDS: Analyst Coverage, Analyst Experience, Discretionary Accruals, French, IFRS Standards

INTRODUCTION

Further to recent financial scandals (Enron, World com, Parmalate, Sociéte Générale...) mainly due to high information asymmetry present in the financial market, therefore the demand for publication of reliable and transparent information by investors increased, leading to a considerable increase of analysts' role in the financial market. The literature review shows the importance of financial analysts' forecasts in reducing the information asymmetry. (Yu, 2008, Shi, Zhang & Guo, 2014). The literature also shows that the presence of financial market analysts' significantly affects managerial behaviour. The first stream of research considers analysts as external monitor against opportunistic actions of managers, helping to reduce earnings management. (Yu, 2008, Call, 2008, Cang, Chu & Lin, 2014).
The second stream shows that analysts', through forecasts, put tremendous pressure on managers in order to match or exceed these forecasts, which increases earnings management (Degeorge, Patel & Zeckauser, 1999). In addition, there are several factors that may affect the analysts' role as external monitor of managers, such as pressures experienced by analysts' themselves (Yu, 2008), or poor accounting quality. (Hodgdon, Tondkar, Harless & Adhikari, 2008). Using discretionary accruals as a proxy for earnings management, we examine the impact of analysts' coverage and experience on the earnings management for a sample of French companies listed on the stock index CAC ALL TRADABLE.

We concentrate on France because in 2003, it adopted, like all European countries, the financial security law (Law Mer) that secures financial transactions and restore confidence in the financial market by regulating the function of financial analysts'. With respect to financial analyzes, the imposition of surveillance was decided by the government, so these analyzes would be as accurate and as objective as possible. Similarly, in 2005, French companies have adopted international accounting standards (IAS / IFRS). Several authors have shown that increasing transparency in financial reporting, IFRS facilitates the detection of earnings management. Also, previous literature shows that earnings management is higher in code-law countries, with low investor protection rights, such as France, compared to common law countries. (Zéghal, Chtourou & Mnif, 2011)

Our empirical results show that analyst's presence and experience help to reduce earnings management in French companies. The remainder of this paper is organized as follows. Section 2 provides theoretical background and hypothesis for the study. In Section 3, we describe our methodology and explain the research design. Our empirical results are discussed in Section 4. Section 5 details our conclusions and presents the implications and limitations of our analysis.

LITERATURE REVIEW

Pressure Effect of Analyst Coverage

Through their presences in the financial market, analysts' exert pressure on managers and contribute to increase earnings management. Indeed, managers wishing to achieve forecasts issued by analysts manage their results upward. (Habib & Hosain, 2008). The purpose of achieving analyst forecasts can be explained by the importance attached by investors, seen the accuracy and objectivity of these forecasts which are considered when assessing the business. (Brown & Higgins, 2005). As well, companies with similar results to analysts' forecasts are valued in the financial market and may experience increase in shares price (Bartov, Givoly & Hayn, 2002). Matsumoto (2002) argues that firms listed on the financial market and affiliated with investors should not publish negative results unexpected. It should be noted that little direct evidence has been documented regarding the pressure effect.

Monitoring Effect of Analyst Coverage

Several authors highlighted a significant negative relationship between the presence of analysts' and opportunistic earnings management. (Lobo, Song & Stanford, 2012). Along with their financial and accounting expertise and high level of business knowledge, analysts' are able to detect manipulations in the financial statements which discourage managers to manage earnings. Dyck, Morse & Zingales (2006) argue that analysts' are among the most expeditious controllers to detect fraud. They sense twice as much fraud as auditors of companies. Sun (2009) show that by the presence of several analysts', managers tend to reduce earnings management. They find this association stronger in environments where information asymmetry is widespread and where information published by companies is the basis of decision making. Degeorge, Ding, Jeanjean & Stolowy (2013) find that financial analysts are more effective monitors in high- financial development countries. Yu (2008) concluded that, higher is the number of analysts' monitoring a company, more it tends to reduce earnings management.

The author explains this by the fact that a high number of analysts' reduced digits volatility and improves the functioning of the company followed; which motivates managers to reduce earnings management. Research also shows that analysts' avoid companies that frequently resort to earnings management; therefore they contribute to reduce this practice since firms monitored by few analysts' are undervalued in the financial market. (Lang, Lins & Miller, 2004). To let analyst fully practise his role of external monitor against opportunistic actions of managers, the literature has identified many factors. It comes for example to analyst experience, having necessary experience, the analyst will be able to identify more precisely accounting and financial characteristics of the companies and important sources of information allowing him to easier detect earnings management. It comes also to the affiliation in brokerage houses analysts' belonging to prestigious brokerage houses make better quality analyzes than those who are affiliated in any brokerage houses. (Yu, 2008). It comes also the quality of accounting applied and laws regulating analyst profession. According to Hunton, Libby & Mazza (2006) greater transparency in reporting requirements facilitates the detection of earnings management, and companies or managers will be punished for earnings management if earnings management is easier to detect. Given that French companies apply international accounting standards since 2005, which are supposed to improve the quality and financial reporting transparency, earnings management is more easily detectable by analysts'. (Jiao, Koning, Mertens & Roosenboom, 2012). Barneto (2005) state that fair value should simplify the

financial analyzes of the company, most posts are evaluated on basis of cash flows discounted, evaluation company will be directly integrated into IAS / IFRS accounts.

However, analysts' are under pressure from various sources, which may affect their results in detecting and limiting earnings management. (Yu, 2008). These factors are, for example, the informational dependence. To easily detect earnings management, analysts' need private company information and given that this information is held by managers, analysts' are obliged to maintain good relations with them, making disclosure of earnings management detected difficult. (Chang, Dasgupta & Hilary, 2006, Yu, 2008). Membership in brokerage houses that manage accounts of client firms can also influence how analysts' react toward earnings management. (Dechow, Hutton & Sloan, 2000). The remuneration of financial analysts' employed in companies can also alter the way these analysts' detect earnings management. Thus our hypotheses are stated as follows:

H1: Analyst's coverage is negatively related to earning management
H2: The experience of financial analyst is negatively related to earnings management.

DATA AND METHODOLOGY

The sample of this research consists of French companies listed on the index CAC ALL TRADABLE. These companies are observed over a period of 7 years starting from 2005 until 2011. This population consisted of 1750 observations firms-years. We excluded companies operating in the financial sector (245). These companies are governed by specific regulations and by financial characteristics different from those governing non-financial companies. To perform our analysis, we have elected a constant sample over the entire period of study, which would mean excluding companies that have been introduced in the index CAC ALL TRADABLE after 2005 and those that were removed before 2011 (105). We have also companies whose financial data were not available during the period of our study (336). We also excluded companies which financial year not ending by December 31 (154). Our final sample consists of 910 observations firms-years. Table 1 and Table 2 describe the sample selection and sample industries' distribution, respectively.

Table 1: Sample Selection Process

Initial Number of Observations	1750
Companies with financial nature	(245)
Companies introduced after 2005 and removed before 2011	(105)
Missing data in Worldscope and Datastream	(336)
Companies whose financial year not ending by 31/12	(154)
Total of Samples	910

This table shows the number of observations used in the analysis

Table 2: Industries Distribution

Industries	Number of Observations by Industry	% of The Sample
Industry	300	33%
Trade and Consumer Goods	210	23%
Health care	80	9%
Services	125	13%
Real estate and buildings	90	10%
Technology	105	12%
Total	910	100%

This table describes sample industries' distribution used in the analysis

The data relating to Companies in our sample is collected from Worldscope and Datastream database (Thomson Reuters) 2012, annual reports of each company and AMF reports (Financial Markets Authority).

Dependant Variable: Discretionary Accruals

We focus on discretionary accruals as the proxy of earnings management. (Cang & al, 2014, Yu, 2008). Various models have been adopted to measure discretionary accruals (Dechow, Sloan, & Sweeney, 1995, Jones, 1991, Kothari, Leone & Wasley, 2005). Following previous studies, in the present we adopted modified version of the Jones model (Yu, 2008).
The modified version of the Jones model (Dechow& al, 1995) is the following:

$$TA_{it}/A_{it-1} = \beta 1\ (1/A_{it-1}) + \beta_2\ (\Delta\ (REV - AR)_{it} / A_{it-1}) + \beta_3\ (PPE_{it} / A_{it-1}) + \varepsilon_{it} \quad (1)$$

Where TA_{it} is the total accruals for company i in year t computed as the difference between net income before extraordinary items and cash flow from operations, REV_{it} is the change in revenues for company i between year t and t−1, AR_{it} is the change in accounts receivable for company i between year t and t−1, PPE_{it} is the gross property, plant, and equipment for company i in year t. (All variables are deflated by lagged total assets).

The discretionary accruals from the modified Jones (1991) model were defined as the residuals from estimating previous model:

$$DA_{it} = TA_{it}/A_{it-1} - \partial_1\ (1/A_{it-1}) + \partial_2\ (\Delta\ (REV - CC)_{it}/A_{it-1}) + \partial_3\ (PPE_{it}/A_{it-1}) \quad (2)$$

In this study, we examine absolute value of discretionary accruals | DA |. We focus on the absolute value of discretionary accruals because it is presented in the previous literature as a magnitude measure of managerial discretion. (Zéghal & al, 2011, Yu, 2008)**.** The purpose of this study is to perceive if the number of financial analysts' affect the level of earnings management.

Control Variables

In all models we included several control variables suggested by previous research, and which have an impact on earning management. The variable "SIZE" is introduced since the literature review shows that firm size affects the level of discretionary accruals. According to hypothesis of political costs sustained by Watts & Zimmerman (1986), big size companies tend to record larger accruals to minimize political costs. In contrast, other studies show that the big size of company leads to less important accruals compared to small companies. (Bedard, Chtourou & Courteau, 2004). According to these studies the big size companies have more efficient systems of internal control, which provide more reliable information and make them further monitored by market and financial analysts', makes earnings management difficult to achieve. On this research, the size of the firm is measured by the logarithm of the market capitalization of the firm. We included variable "ROA" as variable measuring the performance of the company since previous studies show that the level of company performance affects the level of discretionary accruals (Moehrle, 2002). We expect a negative relationship between the absolute value of discretionary accruals and ROA. "Debt level" of a company affects the level of discretionary accruals. According to previous literature companies heavily indebted have stronger reasons to manage upward their accounting earnings to not to violate covenants of debt contracts.

They can manage the results down to force negotiations in case of financial difficulties. In the present research, we suggest that in line with earnings management, highly indebted firms manage more earnings. We use total debt ratio as a measure of the debt level (Dechow & al, 2000). We introduce growth rate of assets, and cash flow volatility, since the literature review shows that they affect the level of discretionary accruals. We expect a positive relationship between the absolute value of discretionary accruals and growth rate of assets, and between the absolute value of discretionary accruals cash flow volatility. (Cang

& al, 2014). We have included the variable "percentage of institutional investors" since these investors are discerning and influential partners, ensuring the proper management of firms. Bushee (1998) suggests that institutional ownership has a "monitoring" role which pushes managers to make decisions that do not affect the company and helps to provide value for shareholders. A negative relationship is therefore expected between the percentage of institutional investors and the absolute value of discretionary accruals. The control variables description and measurement are summarized in Table 3.

Table 3: Control Variables Description

Variables	Measure
Size	Log market capitalization: Stock price at end of period multiplied by the number of shares outstanding for the same period
ROA	Return on assets: net income to total assets.
LEV	Total debt to total assets
VOLCF	Cash flow volatilities: standard deviations of cash flow of a firm in the entire sample period, scaled by lagged assets.
GROWTH	Growth rate of assets
INV-OWN	Percentage of shares held by institutional investors

This table describes the control variables and their measures used in the analysis

RESULTS AND DISCUSSION

Effect of Analyst Coverage on Earnings Management

To test our first research hypothesis, we apply a regression that presents absolute value of discretionary accruals as dependent variable and number of financial analysts' as independent variable with control variables. As Lobo & al, (2012), we measure A.coverage by the Logarithm of the number of analysts with annual earnings forecasts or recommendations.We selected the following model (3): (Yu, 2008, Cang & al, 2014)

$$\left|DA_{it}\right| = \beta_0 + \beta_1 A.coverage_{it} + \beta_2 SIZE_{it} + \beta_3 ROA_{it} + \beta_4 LEV_{it} + \beta_5 VOLCF_{it} + \beta_6 GROWTH_{it} + \beta_7 INV\text{-}own_{it} + \varepsilon_{it} \quad (3)$$

Where $\left|DA\right|$ is the absolute value of discretionary accruals, A.coverage is the Logarithm of the number of analysts with annual earnings forecasts or recommendations, SIZE is the natural logarithm of market capitalization, ROA is return on assets estimated as net income to total assets, LEV is the leverage ratio estimated as total debt to total assets, VOLCF is measured by standard deviations of cash flow of a firm in the entire sample period scaled by lagged assets, growth is growth rate of assets, Inv-own is the percentage of shares held by institutional investors. Table 4 reports descriptive statistics of the variables for the full sample. We checked the normality of variables. We used for this purpose Skewness and Kurtosis tests. The results of these tests show that variables don't follow the normal distribution. According table 4, the mean of analysts' coverage is 8.36. The mean market value is €1,667 Million (mean log of market value equals 2.247).

Table 4: Descriptive Statistics

Variable	Mean	Median	Standard Deviation	N
| DA |	0.047	0.021	0.062	910
A.coverage	8.36	5	3.740	910
SIZE	2.247	2.115	1.894	910
ROA	0.036	0.028	0.053	910
LEV	0.042	0.013	0.182	910
VOLCF	0.051	0.038	0.067	910
GROWTH	0.101	0.160	0.102	910
INV-OWN	18.590	18	10.591	910

This table shows the descriptive Statistics of variables used in model (3) for the full sample. \| DA \| is the absolute value of discretionary accruals. A.coverage is the Logarithm of the number of analysts with annual earnings forecasts or recommendations , SIZE is the natural logarithm of market capitalization, ROA is return on Assets estimated as net income to lagged total assets, LEV is the leverage ratio estimated as total debt to total assets, VOLCF is measured by standard deviations of cash flow of a firm in the entire sample period scaled by lagged assets, growth is growth rate of assets, Inv-own is the percentage of shares held by institutional investors. Variables don't follow the normal distribution. Data are for the period 2005 until 2011.

Table 5 reports the correlations of absolute value of discretionary accruals with analyst coverage and control variables. To apply the regression models, we need to verify the absence of multicollinearity between variables. The correlation matrix allows us to identify the potential problem of multicollinearity between variables. Correlation matrices in this study have coefficients ($\rho < 0.8$), this indicate an absence of problem of multicollinearity between variables. So we can include all variables of models in the statistical regression. On a univariate basis, we note that the variable \| DAC \| is negatively related to the variable A.coverage, and the correlation is statistically significant at the 1 per cent level. This indicates that analysts' coverage tends to reduce levels of earnings management. Analyst practise role of external monitor against opportunistic actions of managers. We will check this first result by the regression analysis. Regarding control variables, the signs of correlations confirm our predictions. The correlations between the variable A.coverage and other variables: SIZE (ρ =0.062), ROA (ρ=0.043), GROWTH (ρ=0.079) and VOLCF (ρ= -0.063) are consistent with those of previous studies indicating that companies followed by a high number of financial analysts' are of big sizes and record high performances and low volatility, the presence of financial analysts' improves firms' performance. (Yu, 2008)

Table 5: Correlation Matrix

	| DAC |	A.Coverage	SIZE	ROA	LEV	VOLCF	GROWTH	INV-OWN
| DAC |	1.000							
A.coverage	- 0.032***	1.000						
SIZE	-0.012*	0.062***	1.000					
ROA	-0 .011**	0.043***	0.110*	1.000				
LEV	0.017***	-0 .115	0.152**	0.056	1.000			
VOLCF	0.048**	-0.063***	0.066***	0.0084***	0.101***	1.000		
GROWTH	0.088***	0.079***	0.125***	0.234***	0.503*	0.168***	1.000	
INV-OWN	-0.028***	0.146***	0.096**	0.103**	0.069**	-0.141***	0.098***	1.0000

*This table reports the correlations of absolute value of discretionary accruals with the others variables used in model (3). \| DA \| is the absolute value of discretionary accruals. A.coverage is the Logarithm of the number of analysts with annual earnings forecasts or recommendations, SIZE is the natural logarithm of market capitalization, ROA is return on Assets estimated as net income to lagged total assets, LEV is the leverage ratio estimated as total debt to total assets, VOLCF is measured by standard deviations of cash flow of a firm in the entire sample period scaled by lagged assets, growth is growth rate of assets, Inv-own is the percentage of shares held by institutional investors. Data are for the period 2005 until 2011. ***, ** and * indicate significance at the 1, 5 and 10 percent levels respectively*

Table 6 presents the results of estimating Eq. (3) using a pooled sample over the 2005–2011 period. We can conclude that the model tested is generally significant; R^2 has a value 33%, which are in line with prior studies. (Degeorge & al, 2013, Cang & al, 2014). We reject the null hypothesis stating that all coefficients are zero, P (F) <0.05. The X^2 test shows a probability less than 5 per cent, which allows us to retain the fixed effects estimator. According to this table, there is a significant negative relationship between the variable A.coverage and the absolute value of discretionary accruals at the 1 per cent level. This indicates that a higher level of coverage is associated with a lower level of earnings management.

This result confirms our first hypothesis and is consistent with previous studies (Yu, 2008, Cang & al. 2014, Degeorge & al.2013). Regarding control variables, the variable ROA is negatively and significantly related to the absolute value of discretionary accruals (1%). This means that poor performance leads to opportunistic earnings management. (Degeorge et al. 1999).

The variable SIZE has a negative and significant relationship with the absolute value of discretionary accruals at the 5 per cent level. This indicates that when the firm size increases, the earnings management decreases. This result is explained by the fact that big size companies are monitored by financial analysts' and other stakeholders, who play the role of external monitors limiting earnings management. (Yu, 2008).

The variable INV-OWN is negatively and significantly related to the absolute value of discretionary accruals. This result shows that institutional investors closely monitor opportunistic actions of managers, which reduces the recourse to earnings management. The variables VOLCF and GROWTH are positively and significantly related to the absolute value of discretionary accruals. (Yu ,2008, Cang & al. 2014).

Table 6: Regression Results: the Effect of Analyst Coverage on Earnings Management

Variables	Coefficient (P-Value)	Expected Sign	Found Sign
A.coverage	-0.011 (0.000)***	-	-
SIZE	-0.083 (0.045)**	+/-	-
ROA	-0.021 (0.000)***	-	-
LEV	0.045 (0.890)	+	+
VOLCF	0.523 (0.000)***	+	+
GROWTH	0.018 (0.005)***	+	+
INV-OWN	-0.052 (0.005)***	-	-
Constant	0.222 (0.000)***		
N	910		
Year and Firm fixed effect	yes		
Adj.-R^2	0.33		
F-stat	18.517***		

This table shows regression results based on model (3).

$$|DA_{it}| = \beta_0 + \beta_1 A.coverage_{it} + \beta_2 SIZ_{it} + \beta_3 RO_{it} + \beta_4 LEV_{it} + \beta_5 VOLCF_{it} + \beta_6 GROWTH_{it} + \beta_7 INV\text{-}own_{it} + \varepsilon_{it}$$

*$|DA|$ is the absolute value of discretionary accruals. A.coverage is the Logarithm of the number of analysts with annual earnings forecasts or recommendations , SIZE is the natural logarithm of market capitalization, ROA is return on Assets estimated as net income to lagged total assets, LEV is the leverage ratio estimated as total debt to total assets, VOLCF is measured by standard deviations of cash flow of a firm in the entire sample period scaled by lagged assets, growth is growth rate of assets, Inv-own is the percentage of shares held by institutional investors. The time period is from 2005 to 2011.We report p-values in parentheses below the coefficients. The model has been estimated including year fixed effects. ***, ** and * indicate significance at the 1, 5 and 10 percent levels respectively.*

Effect of Analysts' Experience on Earning Management

To test our second research hypothesis, we apply a regression that presents absolute value of discretionary accruals as dependent variable and experience of analysts as an independent variable with the level of analyst coverage. Analysts'experience is measured by the average number of years that an analyst has followed a given company. (Yu, 2008).

We selected the following model (4): (Yu, 2008)

$$\left|DA_{it}\right| = \beta_0 + \beta_1 A.coverage_{it} + \beta_2 A.experience_{it} + \beta_3 SIZE_{it} + \beta_4 ROA_{it} + \beta_5 LEV_{it} + \beta_6 VOLCF_{it} + \beta_7 GROWTH_{it} + \beta_8 INV\text{-}own_{it} + \varepsilon_{it} \quad (4)$$

Where $\left|DA\right|$ is the absolute value of discretionary accruals. A.coverage is the Logarithm of the number of analysts with annual earnings forecasts or recommendations, A.experience is the number of years that analyst has followed a given company , SIZE is the natural logarithm of market capitalization, ROA is return on Assets estimated as net income to total assets, LEV is the leverage ratio estimated as total debt to total assets, VOLCF is measured by standard deviations of cash flow of a firm in the entire sample period scaled by lagged assets, growth is growth rate of assets, Inv-own is the percentage of shares held by institutional investors. According table 7 (relative to the Descriptive statistic of analysts' experience with firms), an average, firm in the sample is followed by analysts with 4.05 years of experience with the firms.

Table 7: Descriptive Statistic of Analysts' Experience with Firms

Variable	Mean	Median	Standard Deviation	N
Analysts' experience With firms	4.05	3	2.14	910

This table shows Descriptive statistic of variable analysts' experience with firms used in model (4) for the full sample. Data are for the period 2005 until 2011.

Table 8 presents the results of estimating Eq. (4) using a pooled sample over the 2005–2011 period. We can conclude that the model tested is generally significant; R^2 has a value 21.128%, which are in line with prior studies. (Yu, 2008). We reject the null hypothesis stating that all coefficients are zero, P (F) < 0.05. The X^2 test shows a probability less than 5%, which allows us to retain the fixed effects estimator. According to this table, there is a significant negative relationship between the variable A. experience and the absolute value of discretionary accruals at the 1 per cent level. This indicates that firms with more experienced analysts have a lower level of earning management. This result confirms our second hypothesis and is consistent with Yu (2008) study.

Table 8: Regression Results-the Effect of Analyst' Experience on Earnings Management

Variables	Coefficient (P-Value)	Expected Sign	Found Sign
A.experience	-1.102 (0.000)***	-	-
A.coverage	-0.035 (0.000)***	-	-
SIZE	-0.092 (0.018)**	+/-	-
ROA	-0.105 (0.000)***	-	-
LEV	0.023 (0.509)	+	+
VOLCF	0.356 (0.005)***	+	+
GROWTH	0.020 (0.005)***	+	+
INV-OWN	-0.025 (0.000)***	-	-
Constant	0.0153 (0.000)***		
N Year and Firm fixed effect R^2 F-stat	910 Yes 0.21128 16.705***		

This table shows regression results based on model (4).
$|DA_{it}| = \beta_0 + \beta_1 A.coverage_{it} + \beta_2 A.experience_{it} + \beta_3 SIZE_{it} + \beta_4 ROA_{it} + \beta_5 LEV_{it} + \beta_6 VOLCF_{it} + \beta_7 GROWTH_{it} + \beta_8 INV\text{-}own_{it} + \varepsilon_{it}$
*$|DA|$ is the absolute value of discretionary accruals. A.coverage is the Logarithm of the number of analysts with annual earnings forecasts or recommendations, A.experience is the number of years that analyst has followed a given company , SIZE is the natural logarithm of market capitalization, ROA is return on Assets estimated as net income to total assets, LEV is the leverage ratio estimated as total debt to total assets, VOLCF is measured by standard deviations of cash flow of a firm in the entire sample period scaled by lagged assets, growth is growth rate of assets, Inv-own is the percentage of shares held by institutional investors. The time period is from 2005 to 2011.We report p-values in parentheses below the coefficients. The model has been estimated including year fixed effects. ***, ** and * indicate significance at the 1, 5 and 10 percent levels respectively.*

CONCLUDING COMMENTS

In this paper, we examine how analysts' coverage and experience affect earning management of 130 French companies listed on the stock index CAC ALL TRADABLE over a period of 7 years starting from 2005 until 2011. We concentrate on France because in 2003, it adopted, the financial security law (Law Mer) that regulates the function of financial analysts' and in 2005, it adopted international accounting standards (IAS / IFRS) that increases transparency in financial reporting and therefore facilitates the detection of earnings management. Using discretionary accruals as a proxy for earnings management, we find that after the introduction of IFRS standards and over a period from 2005 till 2011, analysts' coverage and experience reduce the level of earning management in French companies. Analysts practise a role of external monitor against opportunistic actions of managers. To the best of our knowledge, no previous study has investigated the impact of financial analysts' coverage and experience on earning management in the French context, and particularly after the adoption of IFRS. Our study may be of interest for numerous parties, investors seeking access to the French stock market, leaders seeking to know the impact of financial analysts' presence, brokerage firms… Our study focuses only on accounting-based earnings management. In future research we should to examine whether our results extend to real earnings management or frauds.

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