RESEARCH PAPER

IFRS and the presence of financial analysts: The case of companies listed on the French stock exchange (CAC40)

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ABSTRACT

The aim of this paper is to study the impact of IFRS on presence of financial analysts: The Case of Companies Listed on the French Stock Exchange (CAC40). Indeed, an examination of correlation between the absolute value of discretionary accruals and the number of analysts per firm showed that the presence of analysts in the firm reduces handling and limits discretionary power management. Also, the analyst may participate in corporate governance and influence management decisions by the use of records in achieving its forecasts.

Key words: IFRS, financial analysts, earnings management.

INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) by many countries in the past decade, for example EU countries in 2005, has been an important event in financial reporting.

Further to the development of financial markets in the economic world, the presence of the auditors and the financial analysts becomes important. These actors protect the interests of the investors against several risks. The adoption of IFRS for the preparation of consolidated financial statements is wrong because it influences the practices of business management and financial statements. This is not without influence on the financial analysts who are the first users of financial statements.

The financial analysts contribute to improve the transparency of the financial information and the reduction of the opportunist practices of the earning management (Shane et al., 2006). In the same context, many empirical studies highlight a behavior of earning management on behalf of the managers of companies esteemed to affect the forecasts of the financial analysts (Aafes and Hussein, 2008).

In this study, we will present the importance of the financial analysts in a first place, and then describe afterward, the impact of the presence of the analysts on the opportunist behavior of the managers. Empirically, by means of a sample which consists of the companies of CAC40, we shall try to test the relation between the presence of the financial analysts and the reduction of the earning management.

LITERATURE REVIEW

The financial community consists of several actors who have each the role and the responsibility. Among these actors we note the financial analysts who play an important role in the financial market.

The recent literature focused on the impact of the forecasts of the analysts and the recommendations of purchase or sale of the titles and the decisions of investment but few searches were led on the role of the analysts in the government of the company and the earning management (Degeorge et al., 2007).

The effect of follow-up of the analysts or more exactly, the effect of the number of the analysts on the earning management remains still fuzzy and not yet precise because it seems that the existence of the analysts exercises an immoral effect on the earning management and the analyst can be an entrainer or an incentive as a constraint. This opportunist behavior can counterbalance to result in a no effect.

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The presence of the analysts on the market as intermediaries became more and more important. According to the French company of the financial analysts SFAF, the analyst can occupy several types of functions:

(i) Fusions acquisitions of the company: acquisition and transfer consists in finding ideas of fusions. They detect market transactions as capital increase.
(ii) Fund management: this type of function consists in managing the funds of his employer. He values the company by favoring the industrial and strategic approach.
(iii) Activity of the company: she gets the quality of the listed and unquoted companies, to distinguish the market transaction.
(iv) Reveal the information: consist in looking and in interpreting the economic, accounting and strategic and financial information appropriate to companies.
(v) Centralize the information: consist in centralizing and in organizing the distribution of the information.
(vi) Quality of credit: this function appreciates the quality of credit in function.

Globally, we can notice that the mission of the analyst consists in collecting the private and public data on companies through several informative sources such as the accounting documents, the strategic information, the meetings deprived with the manager or the other staffs of the company, the presence in the general assembly and the contact with the members having collected all the necessary information. The said analyst is going to elaborate a recommendation and proposes forecasts which must be precise and objective that is possible (Degeorge et al., 2005).

In front of the importance of this function in the company, several countries decided to organize this profession for example, the European Federation of the Analysts; this body which function to organize the mission, includes 14 analysts in 24 member countries.

Presence of the financial analysts

The financial analysts represent an indispensable link between the company and the investors in the various business sectors. From part of their mission, they contribute to reduce the asymmetry of information and the costs of agency (Healy and Palepu, 2001). This is understandable by the increase of the reliability of the revealed information.

Hope (2002) and Yu (2008) showed that the presence of the financial analysts improves the transparency of the information published to increase the performance and minimize the accounting manipulation. Also, Yu (2008) showed that the liquidity of the company increases in case when he has a high number of the analysts. But other researchers find that the analysts have objective to collect the information.

Utility of the financial analysts

The mission of the analyst forms the basis of the information and the source of the decisions for the investors. In fact the literature shows that the recommendations and the forecasts emitted by the analysts have rather important informative contents. Graham et al. (2005) showed that the analysts influence the decisions of the investors. Based on this fact, other authors highlighted a strategy of investment established on a consensus of recommendations of the analysts which offers to the investors of the abnormal profitability's.

Asquith et al. (2005) showed that the financial market reacts considerably to the forecasts of the analysts. The investors think that the analysts are agents that are very competent and having a big knowledge of the market and so talented in the analysis of the relevance of the available information. Besides, they value the capacity of the analysts to collect relevant information.

On the other hand, capacities required by the financial analysts help to treat effectively, the information, to deduct a precise forecast of the results. Also, if the analysts value the effort of the private information, the market is going to react more according to the recommendations of the analysts play an essential role which is understandable by the report of Womack (1996), the latter showed that the prices of the share react in the direction of the recommendations of the analysts at the time of their publications.

The changes are going to influence the decisions of the direction (management), the fact is that the managers perceive the analysts as more important groups which affects the price of the share of companies (Graham et al., 2005), (Jegadeesh and Kim, 2006). The importance of the analyst in the financial markets incited the researchers to compare the utility of the forecasts of the financial analysts with regard to the announcements of the results.

According to Corvig and Low (2004), the reaction of Japanese market is much more important during the missions of the forecasts of the analysts than during the announcements of the results. Given that the market is characterized by disclosures of little frequent information, the authors conclude that the relevance of the announcements of the results is modest with regard to the forecasts of the financial analysts. If the choices of the investors are modified by the analysts, the forecasts influence the decision making. This influence engenders more value for the investors.

Factors improving the function of the financial analysts

Further to the financial scandals, the role of the analysts
was questioned. Several factors can damage the quality of the financial analysts such as the used methods of valuation, nor adoption of the accounting which establishes a basic information system for the forecasts of the international accounting analysts, the change of the economic factors and the novelty of system. The experience plays a not insignificant role. Therefore, the analysts will be capable of identifying more exactly the accounting and financial specificities of companies as well as the previous error which is to be considered as a means of learning and increase of the skill.

They are also going to incorporate into their forecasts, all the available and useful information (Jacob et al., 1999). In this direction, the increase of the experience of the analysts allows an access easier to the management, the private information which is not available in the market and to increase the quality of their forecasts.

Several researchers found that there is a negative relation between the accuracy of the forecasts of the analyst and the number of companies as well as the sectors. The analysis of a single company is going to allow the analyst to understand (include) its functioning and to make forecasts very close to the reality. He could understand his specificities and the similarity characterizing the companies which belong to him and so improve these forecasts (Brown, 2005).

**Membership in broking firms**

The size of the company represents a criterion for the membership of the analysts to companies, because the analysts have an impact on stock markets for those analysts who belong to big companies, on the other hand who has small-sized companies cannot influence the presence of the financial analysts to have an effect on stock market prices, this was demonstrated by Hong and Kubik (2003). Indeed, the companies of big sizes are capable of presenting to their analysts the best conditions and basic tools on data very vast and more detailed to lead as well as their mission. Besides continuation has their credibility and in their reputation and in them distribution channels analyses emitted by these big broking firms have more influence on the stock market.

**Accounting in favour of the financial analysts**

In spite of several studies, it has been shown that the incorporation of the previous profits improves the forecasts of the financial analysts and considered as a working base (Barth et al., 2008). The results of the previous year companies are taken into account in the determination of the future result what is going to question this false estimation.

Given that the managers use several factors to determine the amount of the result of the company, for estimation, example the earning management. What influences the amount of the result used by the analysts and to damage these forecasts (Barth et al., 2008). The problem of the reliability of the result plays an important role and minimizes the use of this variable as a base to estimate the future result.

The economic changes and the introduction of the international accounting standards IFRS have an effect on the functioning of the financial analyst. For it several researches considered that the introduction of the international standards improves the mission of the analysts. The analysts declare that the accounting application of the standards IFRS by the French companies presented for them a progress on several points. Among these points we find that:

(i) The standards IFRS it is a complete accounting frame and has more in the daytime and that takes into account transfers of the economic environment which reveals more detailed financial and accounting information. What helps the analysts to give a forecast very close to the reality and increases its importance in the company.

(ii) The contribution of the international standards IFRS of the notion of the just value represents a fertile ground of the research in accounting sciences from the point of view of the researchers. The latter highlight that the use of the just value by adopting the standards IFRS will have to simplify the financial analysis of the company. On this point, most of the posts are estimated on the basis of the updated cash flows. In this case, the evaluation of companies will be directly joined into the accounts presented according to the international reference table.

Hodgdon et al. (2008) found that the adoption of the standards IFRS and the obligation of disclosure of the information according to this reference table has a negative relation with the errors of forecasts of the analysts. Hope (2002) found that the obligation of disclosure of an information about the used accounting methods, been imperative by the standards IFRS, is going to reduce the uncertainty of the investors and decreases the accounting manipulation and also allows to reduce the errors of the forecasts of the analysts. So, Ashbaugh et al. (2001) explained that the standard IFRS reduces the errors and improve the quality of the forecasts and help the investors has to increase profits.

**Follow-up of the analysts and forced to earnings management**

The analysts are actors on the market participating in the control, in the evaluation and in the distribution of the financial information. They arrange economic and financial knowledge allowing to arrest the company under all its
angles.

Indeed, the financial analyst was defined by Cohen (1997) as a set of concepts, of methods and instruments who allows formulating an appreciation relative to the financial situation of a company, also to the risks which allocate to the level and to the quality of its performances. The theory assigns to the analysts a function of control of the management team.

The evaluation of the just value is going to influence the agreements of the debt what implies that there is volatility in the majority of the accounting measures, as the profits and the liquidity (DeFond and Jiambalvo, 1994; Sweeney, 1994) supplies information on the quality of management and on the perspectives of the firm.

In the same direction, the variation of the accounting measures also supplies a negative signal of performance of enterprise begun with unfavorable implications of the behavior of the managers (Holthausen et al., 1995). In front of the variability of the indicators of evaluation, the managers can be motivated in manipulating the accounts (Lambert, 2001) not to find problems at the level of the grips of the decisions.

The literature suggests that the managers tend to take part in the earning management what decreases the possibility of variation of the agreement of the debt. The managers can use the increase of the discretionary accruals (Sweeney, 1994). Owed to the fact that the executive contracts of the compensation are based on accounting documents (Healy, 1985). The managers affect accruals to improve the reputation and the compensation benefits (Shuto, 2007).

The managers with the contracts of debts tending improved the results when profits fall below the lower link or increase above the upper link indicated by the plan of the bonus. The managers can be tilted and select the methods of the accounting income - decreasing (Degeorge et al., 1999). It brought back that the managers prefer the employment of discretionary accrued interests to strengthen the value of the firm that their compensation directorial (Christie and Zimmerman, 1994).

The analysts are considered as a tool of mechanism of external governance playing an external role of the controllers of the managers. They analyze the company, its environment, its quality of management. Her existence facilitates the understanding and the reliable distribution of the information what reduces the costs of agency, by a reliable and rigorous interpretation of the signals emitted by the company, Jensen and Mecking (1976) asserted that the analysts reduce the costs of agencies. Indeed the financial analyst sees itself assigned an important function that of the contribution to the good governance of the company and forced so any decision of earning management, because it is capable of detecting any manipulation and opportunist behavior of the manager.

Dyck et al. (2006) found that the analysts are more capable of detecting the frauds of manipulations than DRY and the listeners (auditors). Also, Healy and Palepu (2001) asserted that the information published by the financial intermediaries such as the analysts allow to detect the opportunism of the leaders (managers) in annual reports.

Thus, the existence of the financial analysts following a company is considered as a mechanism which limits the managerial latitude and can so have an influence on the earning management.

The latter possess certain characteristics and assume certain roles which allow them to be effective controllers in the management of the accounting results.

Also, any information spread by the analysts must be reliable and relevant because they can undergo a loss of important reputation in case of fraud or of high manipulation. They bring to check the quality of the management and to detect any opportunism because their reputation and their human resources value the precision and the efficiency of the analysis.

Impact of the presence of the analysts on the earnings management

The analysts are external agents, and in money basing on the theory concerning the relation between the financial analysts and the earning management indicates that this relation can be negative in the case or the analysts act as controllers external of the shares of the managers and his behavior so contributes to reduce the earning management in a not definite way (Healy and Palepu, 2001). We go to what follows to present the impact of the analyst on the earning management.

The accounting is an information system for all the stakeholders. Indeed, she contributes to the transparency of the information published to the investors and to realize this objective it several actors who participate, as The analysts who can impose disciplines to the managers what helps to increase the profits and to reduce the financial lever and to increase the liquidity what returns has the limit of the opportunist earning management, in this case the analyst plays a role in the government of the firm (Knayzeva, 2007).

Yu (2005) moved forward that the analyst can be better performing in the control of the reaction of the managers and more advantageous than the traditional mechanisms of governance. It is capable of been detected in a specific way the existing manipulations in financial statements. On the other hand, the private information collected by the analysts is going to be spread (broadcasted) for all the stakeholders

The analysts can have if the accounts of companies reflect the faithful picture of the company. This picture allows to know the elements weakness in these documents and afterward to detect the opportunist management of the manager and to contribute to reduce it (Yu, 2008).

Degorges et al. (2007) explained that the fact of following
closely the management and of observing all the changes which execute the management of the company can in itself divert the managers to manage the result in a opportunist way.

The valuation of the securities on the market is an ultimate objective. Therefore, several researchers experienced that the analysts go away from the company which uses frequently the earning management. What returns to the contribution of the reduction of this practice because companies are followed by a weak number of analysts and are depreciated on the market and decrease their strategic market share?

Dyck et al. (2006) moved forward that the distribution of the information deprived by the analysts is a shape of detection of the frauds and the encouragement of the reduction of the earning management by the company. According to these authors the analysts are among the fastest controllers of the detection of the frauds. What explains the comparison between the analysts and the external auditors which shows that the analysts twice more than the auditors.

On the other hand, the analysts undergo pressures of various sources in their mission. These pressures can question the results in the detection and the limitation of the management of the accounting results of the company (Yu, 2008).

Financial analysts and incentive in the earnings management

Several researches examined the motivations of the earning management by referring to the hypotheses of the positive theory. In the same frame, Degorge and Zechkhauser (1999) added a new perspective of motivations of the earning management: the achievement of certain thresholds which are called threshold management.

Jeanjean (2001) evoked the management by thresholds as a preference of the manager for a configuration of the result motivated by a desire to affect certain thresholds.

Degorge et al. (1999) identified three thresholds in the procedure of earning management. Among these we quote: the forecasts of the analysts. Indeed, the market exercises a certain pressure on the manager to realize objectives. Yu (2006) explain that the administrator is going to affect the forecasts of the analysts concerning the result of the exercise.

The analysts so considered as actors of earning management. The latter undergo a pressure to publish the forecasts of the opportunist profits or to ignore any opportunist behavior. This optimization was explained by the literature by the desire to make relation with the persons in charge. On the other hand, the analyst can play a role in the publication of the information and the forecasts, of which the purpose to increase the price on the market.

Any publication of profits inferior in that planned by the analysts will be perceived by the market as the bad news and is going to react negatively. It shows that the analyst can create an excessive pressure on the managers to manage the results.

Kothari (2001) showed that profits must be estimated in an increasing way to increase the value of the firm and not lose its business and their customers.

Thus the analyst elaborates her advice and his studies to act of what which the interest of the institutional customers.

Remuneration for the financial analysts

The analyst is an external agent connected by a contract of agency with his employer. This analyst has to act in the interest of the latter to increase the profitability of the firm. Also, several researches showed that the fees of the analysts and their progress depend on the degree of optimization of the forecasts (Dechow, 2000). Indeed, advancement and the accuracy of the forecasts from a part of the reward of the analysts. It this in summer explained by Hong and Kubik (2003). Other authors show that the remuneration for the analysts is a motivation to reduce the earning management.

Informative dependence in verse the administrators

To assure a good quality publication and forecasts very close to the reality, it is necessary to reduce the practice of the opportunist management of the managers. Thus, the analysts need private and precise information on the company. Given that this information is held by the managers, what obliges the analysts to make good relations for now all the necessary information? This puts the analyst in front of a difficult situation.

The analysts are in the obligation to produce forecasts corresponding to the interests of the managers and not to reveal the existence of the earning management. On the contrary, they have to protect a good reputation towards the investors by the publication of the transparent and exact information which allow the investor to change his opinion (Yu, 2008).

Barth et al. (2003) considered the access to the information deprived by the administrators, as being the main clause of the bad valuation of accruals by the analysts. Also, Lim (2001) stipulated that the informative dependence reduces the franchising of the analyst which is afraid of losing an essential basis in the publication of the analysts.

Impact of the forecasts of the analysts on the earnings management

The analysts exercise a pressure on the managers and participate in the increase of the practice of the management
of the accounting results Indeed, the managers who do not manage to affect these forecasts are going to make it by managing their results in the increase (Aafes and Hussein, 2008; Roychowdhury, 2006).

A questionnaire put deposited in 2007, concerning 1500 financial analysts of the European Union and showed that 78% of the latter find IFRS more relevant during the financial analysis. Indeed, 55% of European companies positively reacted and in a direct way during the establishment of these standards.

Lopez et al. (2002) explained that the purpose to affect the forecasts of the analysts is understandable as it made the investors attach a bigger importance for the forecasts of the analysts. In this attachment, the dishes serve as an objective to achieve and consider them in the process of evaluating the company.

However, for the relation between the market, the investors and the published result, Matsumoto (2002) showed that the highly-rated firms are not published by the contradictory results with the expectations of the investors. But according to advanced research, the opportunist management after adoption of the standards IFRS allocates the value of the firm in both directions and to an impact on the amount of the Cash-flow Future (Roychowdhury, 2006).

Financial analysts and informative management

Given that the analyst constitutes the link between investors and managers. Thus, this connection engenders more transparent information to exercise a control and limit the management of the accounting result.

Han et al. (2009) made a study on the impact of the number of the analysts in the process of the earning management. This one is led on a sample of 30 countries not Americans because of the specificity of this context and of not adoption of the standards IFRS for the period from 1992 till 2006. So, these types of firms’ measures the earning management by the value absolved from the discretionary accruals.

This study showed that the services of the analyst’s increases in the case or companies publish not precise information. Also, these authors showed that the number of the analysts is negatively associated with the value absolved from the discretionary accruals. What allows concluding that in the presence of a high number of the analysts, the manager with trend has to minimize the accounting manipulation and has to reveal quality information?

They find that this negative effect is strong in countries having a legal specificity where the informative asymmetry is strong. The protection of the investors is raised and the published information is on the adequate basis of decision-making.

This shows that in a well determined environment, the managers tend to manage accruals in an opportunist way to improve the situation of the company and their image on the financial market.

Yu (2008) test the impact of the analysts on the management of result on a sample of company during the period 1998 and 2002. It used the value absolved of accruals discretionary as measure of the management of result and the method of lesser ordinary square (OLS) to estimate (esteem) the model. He found that the relation between the scale of the financial analysts and the value absolved of discretionary accruals is significantly negative in the 1% order. This allows us to conclude that the high presence of the analysts decreases the management of the results This reduction of result shows the important role of the financial analyst entrant that external controller of the management of the company.

In another study, Jeanjean et al. (2008), Degeorge et al. (2008) measured the degree of follow-up of companies by the analysts according to the size, the performance, the growth rate and the volatility of share prices. They confirm the result according to which countries are developed, the more the presence and the follow-up of the analysts act on the management of result. This excitement brings us to explain the following interrogation:

H1: The number of analyst decreases the management of accounting result.

To verify our interrogation, we are going to present the empirical study in the case of companies CAC40, which is inspired by the work of Yu (2008).

RESEARCH METHODOLOGY

Sample selection

The sample consists of 36 companies listed on the French Stock Exchange. We excluded three companies which have accounting specificities of finance companies. For the homogeneity, we watched what are the companies of our sample are industrial but operating in diverse sectors activities (industry, pharmaceutical food- processing industry etc.). We collected the data by the consultation of the annual reports of companies during the period 1999 to 2008.

Reserved variables

The dependent variable

To validate our hypothesis, we are going to inspire the model of Yu (2008). The latter used the value absolved from the discretionary accruals as a dependent variable and the analyst coverage as independent variable and other variables of control. To measure accruals we used the
Table 1. Definition of variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>Size of companies</td>
<td>Is calculated as the logarithm of market capitalization</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
<td>Net Profit / Equity</td>
</tr>
<tr>
<td>Growth</td>
<td>Growth Rate of assets</td>
<td></td>
</tr>
<tr>
<td>Cash flow</td>
<td>Operating cash flow</td>
<td>Operating cash flow / total assets</td>
</tr>
<tr>
<td>Constant</td>
<td>Residual term</td>
<td>Analyst coverage</td>
</tr>
</tbody>
</table>

Table 2. Correlation Matrix of model 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Size</th>
<th>Cash</th>
<th>Growth</th>
<th>ROA</th>
<th>Rcov</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cashfo</td>
<td>-0.046</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>0.001</td>
<td>-0.165</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>-0.246</td>
<td>0.096</td>
<td>-0.038</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Rcov</td>
<td>-0.054</td>
<td>0.034</td>
<td>0.035</td>
<td>-0.1121</td>
<td></td>
</tr>
</tbody>
</table>

Table 3. Resultants of regression for the number analysts.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>-3.73</td>
<td>-1.13</td>
<td>3.29</td>
<td>0.2582</td>
</tr>
<tr>
<td>Oflow</td>
<td>-3.41</td>
<td>-17.85916</td>
<td>1.91</td>
<td>0.0000</td>
</tr>
<tr>
<td>Growth</td>
<td>1.30</td>
<td>1.755</td>
<td>1.35</td>
<td>0.9923</td>
</tr>
<tr>
<td>ROA</td>
<td>2.21</td>
<td>3.08</td>
<td>0.72</td>
<td>0.4714</td>
</tr>
<tr>
<td>C</td>
<td>4.555</td>
<td>2.12</td>
<td>2.15</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

The discretionary accruals (DA) = total accruals (TA) - no-discretionary accruals the (DNA)

*Sample and Model used then will be tested for the determination of residual of analyst coverage R coverage: Is considered by the author as the residual from the following equation:

\[
\text{Analyst coverage}_{it} = \text{Size}_{it} + \text{Growth}_{it} + \text{Cash flows}_{it} + \varepsilon_{it}
\]

(1)

The control variables

We present the correlation matrix between the variables (Table 1). Table 2 shows a positive correlation between the variables R coverage and cash flows and business growth of CAC 40 companies.

Table 3 presents the first regression that will determine the residual variable that represents the explanatory variable in the Model 2.

The result of this regression model shows that the constant coefficient is positive and significant at the order of 1%.

After the determination of the residual Model 1, we test the model so that it represents the main model of our study (Table 4)

\[
| \text{accd}_{it} - \alpha_{it} + \beta_{\text{residual coverage}} + \lambda V \text{controle}_{it} + \varepsilon_{it}
\]

(2)

With: \(\alpha_{it}\): Fixed time effect; \(\varepsilon_{it}\): Residual term

Table 5 presents the descriptive statistics of our main model study. Table 6 present the descriptive statistics of the model tow in this research. The value absolved from the discretionary accruals is negatively correlated to the size and the growth. This correlation explains that the accounting manipulation influences economic developments of firms and administrators using accruals to manipulate the result.
Table 4. Independent variables of model 2.

<table>
<thead>
<tr>
<th>Variables</th>
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<th>Measure</th>
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<tr>
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</tr>
<tr>
<td>Growth</td>
<td>Growth</td>
<td>Rate of growth of Assets</td>
</tr>
<tr>
<td>OFlow</td>
<td>Operating cash flow</td>
<td>Operating Cash flow / total assets</td>
</tr>
<tr>
<td>Cons</td>
<td>Residual term</td>
<td>After regression</td>
</tr>
</tbody>
</table>

**Significant at 1% *significant at 5% *significant at 10% F = 0.00.

Table 5. Descriptive statistics of model 2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Observation</th>
<th>Average</th>
<th>Standard deviation</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>ǀaccdǀ</td>
<td>360</td>
<td>0.082</td>
<td>0.096</td>
<td>0.007</td>
<td>0.989</td>
</tr>
<tr>
<td>Residual</td>
<td>360</td>
<td>0.453</td>
<td>0.564</td>
<td>0.654</td>
<td>10.654</td>
</tr>
<tr>
<td>ROA</td>
<td>360</td>
<td>4.875</td>
<td>4.251</td>
<td>0.045</td>
<td>24.400</td>
</tr>
<tr>
<td>Growth</td>
<td>360</td>
<td>0.569</td>
<td>6.788</td>
<td>-0.975</td>
<td>125.260</td>
</tr>
<tr>
<td>OFlow</td>
<td>360</td>
<td>10.020</td>
<td>1.590</td>
<td>7.204</td>
<td>18.522</td>
</tr>
<tr>
<td>Size</td>
<td>360</td>
<td>0.605</td>
<td>0.419</td>
<td>0.034</td>
<td>3.660</td>
</tr>
</tbody>
</table>

**Significant at 1% *significant at 5% *significant at 10% F = 0.00.

Table 6. Correlation Matrix of model 2.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Size</th>
<th>ROA</th>
<th>Growth</th>
<th>OFlow</th>
<th>ǀaccdǀ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>1.000</td>
<td>-0.2471</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td></td>
<td>0.001</td>
<td>-0.0390</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td></td>
<td></td>
<td>-0.046</td>
<td>0.116</td>
<td>1.000</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td></td>
<td></td>
<td></td>
<td>-0.016</td>
<td>1.000</td>
</tr>
<tr>
<td>ǀaccdǀ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.0975</td>
</tr>
</tbody>
</table>

**Significant at 1% *significant at 5% *significant at 10% F = 0.00.

Table 7. Results of regressions of numbers of analysts and Earnings management.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cons</td>
<td>-0.00018***</td>
<td>0.00339</td>
<td>4.14</td>
<td>0.0000</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.00018***</td>
<td>0.00214</td>
<td>-3.09</td>
<td>0.0009</td>
</tr>
<tr>
<td>Growth</td>
<td>-0.000371</td>
<td>0.000754</td>
<td>-0.49</td>
<td>0.6234</td>
</tr>
<tr>
<td>Operating Cash flow</td>
<td>0.062101**</td>
<td>0.030756</td>
<td>2.01</td>
<td>0.0442</td>
</tr>
<tr>
<td>Size</td>
<td>-0.020837</td>
<td>0.012547</td>
<td>-1.66</td>
<td>0.0977</td>
</tr>
</tbody>
</table>

**Significant at 1% *significant at 5% *significant at 10% F = 0.00.

Empirical test results and interpretation

In the estimation of the regressions concerning the Panel data and the generalized linear regression, we used the appropriate software. Besides the estimation of the panel data allows specifying if the observable individual effect is fixed or random. To make before estimating the test of stationaries, and after we make the tests of Hausman and Multiplier of Lagrange. The results of these tests allow us to adopt a model to random effect. This is explained by the value of Chi Square ($\chi^2$) which is significant in the threshold of 5%.

According to Table 7, we can notice that there exist a negative and significant relation that enters the variable R coverage residues and the value absolved from the discretionary accruals at the beginning of 1%. This indicates that the increase of the number of analysts leads a reduction of the management of the results. This result
confirms our hypothesis (the numbers of analysts reduce the Earnings management in the firm) and consistent confirm with the works of Yu (2008) and Han et al. (2009).

The variable ROA is negatively correlated with the value absolved from the discretionary accruals at the beginning of 1%. This result can be interpreted as: the unprofitable companies are the ones which manage most of the results. This is confirming with the works of Degeorge et al. (2007).

Besides the coefficient associated with the variable IFRS is significantly positive at the beginning of 5%. This suggests that the companies which generate operating cash-flow of increase also manage most the results. This confirms with the works of previous literature by Gul et al. (2003).

Conclusion

This study examined the impact of the standards IFRS in the presence of the financial analysts for the case of companies on the French Stock Exchange (CAC40). By measuring the management of the results by the value absolved from the discretionary accruals and the examination of correlation between the value absolved from the discretionary accruals and the number of analysts by firms. We showed that the presence of the analysts in the company reduces the manipulation and limits the power discretionary of the managers. This result confirms our hypothesis and in line with the works of Yu (2008) and Han et al. (2009). It shows that the value of the external agents as the analyst can participate in the governance of companies.

We also presented the role of the financial analysts as external agents and their effects on the decision of the manager in the company. Indeed, we led our empirical analysis on the measure of the presence of the analysts by the residual term of the model and the value absolved from the discretionary accruals. Besides, we found that the analyst reduces the accounting manipulation by the use of the accounting documents in the realization of his forecasts. The limitation of our study lies in the number of our sample that is low in other studies and may have the impact of quality of information given by the analyzes in the bread making firm.

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