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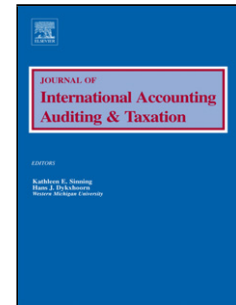
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Benford's Law and the Effects of the Korean Financial Reforms on Cosmetic Earnings Management

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Abstract

We utilize a Benford distribution to examine the earnings management change following the Korean financial reforms. We examine the propensity of Korean firms to convert high second-from-the-left and third-from-the-left digits of their net income in the post-financial reform period (2000-2012) compared to the pre-financial reform period (1990-1996). We show that managers convert high second (third) digits of positive net income to improve first (second) digits, but try to retain high second digits of negative net income to avoid an

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