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Accounting Discretion and Executive Cash Compensation; An Empirical Investigation of Corporate Governance, Credit Ratings and Firm Value

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TITLE:

Accounting Discretion and Executive Cash Compensation; An Empirical Investigation of Corporate Governance, Credit Ratings and Firm Value

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**Accounting Discretion and Executive Cash Compensation
An Empirical Investigation of Corporate Governance,
Credit Ratings and Firm Value**

Abstract

This study focuses on executive compensation that takes the form of cash. It examines the association between executive compensation and corporate governance, income smoothing, discretionary accruals and firm value. It also investigates the possibility of employing earnings manipulation practices when current credit ratings differ from their expected ratings. This study shows that executive cash compensation is negatively associated with corporate governance. Analyst following, company size and debt are negatively related to executive compensation. In contrast, a positive association has been reported for high growth. Executive cash compensation is positively associated with discretionary accruals and negatively with firm value. Firms that pay cash compensation are likely to engage in earnings manipulation when their actual credit ratings differ from their expected ratings. They are also

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