

**THE EFFECT OF CORPORATE GOVERNANCE ON COMPANIES’
EARNINGS MANAGEMENT: EMPIRICAL STUDY OF KAZAKHSTAN
COMPANIES IN NATURAL RESOURCES SECTOR**

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ABSTRACT

Reliable and fair accounting information is the issue of vital importance for all national companies operating in natural resources sector and competing to acquire resources on international capital markets or just considering going global someday. Elimination of earnings management problem and as a result high quality financial reports are appreciated by all market participants – it diminishes information asymmetry and promotes foreign capital inflow. The importance of the latter is even more valuable for Kazakhstani transitional economy and emerging capital markets. Moreover, the significance of corporate governance and its role in earnings management has been highlighted by global corruption scandals of recent decades, which have proven the fact that it is not enough to have all accounting policies/principles at place – it also requires an implementation and effective monitoring of corporate governance as a means to eliminate agency costs and strengthen investor confidence. The practical implication of efficiently operating corporate governance is represented by lower absolute discretionary accruals and improved quality of financial report. Vast market liberalization and open international trade areas require relevant and reliable financial information presented by market players, and that is why it is so important for Kazakhstani natural resources companies to improve agency theory related deviations (if any) and strive to develop international relationships which will definitely entail additional foreign capital investments international developing economy.

KEYWORDS: Earnings Management, Resources Sector