

MEASURING OF FINANCIAL REPORTING QUALITY: BALTIC PUBLIC COMPANIES

Natalja Lace¹, Mirkomil Madjitov², Guna Ciemleja³

Riga Technical University, Latvia,

E-mail: ¹natalja.lace@rtu.lv, ²mirkomil.madjitov@gmail.com,

³guna.ciemleja@rtu.lv

Abstract. Stock investor needs to assess quality of financial results that helps to avoid negative earnings surprises and accounting fraud scandals. The primary tools to evaluate quality of financial results were chosen as follows: 1) level of accruals and net income and operating cash flow comparison, and 2) Beneish M – Score Model. The main target of the research is to test Beneish M – Score Model on Baltic stock markets. The main problem which was solved in the course of the research was to compare application of two approaches for assessment of financial reporting quality of Baltic public companies. The methods chosen for conducting a research were quantitative as well as qualitative. The results of the research confirmed that Beneish M – Score model can be used for assessment quality of financial reporting of Baltic public companies.

Keywords: earnings quality, financial reporting, plausibility, net income, operating cash flow, accruals level, Beneish M – Score Model.