



MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

EARNINGS MANAGEMENT PRACTICES OF UGANDA CLAYS LIMITED

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**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES
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Abstract

Modern companies are experiencing a number of challenges in their practice to undertaking the financial recording and reporting mandate. One of these is occurrence of earnings management. Thus, this study focused on examining the earnings management practices of Uganda Clays limited. It was guided by the following research objectives: to examine earnings management practices, establish the challenges of earnings management practices and identify the strategies that can be adopted to reduce earnings management practices at Uganda Clays Limited. A cross sectional research design was adopted, which utilised both the quantitative and qualitative approach. A sample of 59 was considered but only 50 of these participated. They included member of the top administration of Uganda Clays limited, a member from the board of directors, staff in accounts, finance, audit and other employees at Uganda Clays limited. Questionnaires were used to obtain information from these respondents. Data collected was analysed using SPSS Ver.16, while frequency tables and descriptive analysis were undertaken to answer the research questions.

Findings revealed that there were instances earnings management practices at Uganda Clays Limited, experienced in form pre-managing costs, reducing book value in financial reports, forecasting accruals and treating them as for the current period, undertaking some form of manipulation of accruals, exaggeration of expenses is done to cover up unnecessary costs and losses and managerial influence in making accounting choices and decision making. As a result, there were a number of challenges being experienced such as increasing costs, lowering professionalism among accountants, misleading users of the company's information and faulting the quality of decision-making. Therefore, the study recommended need to strengthen control of financial staff, emphasizing external auditing, adherence to financial standards and GAAPs, conducting frequent meetings of audit committees, adhering to rules from national supervisory policies and punishing responsible accountants. The study also recommended the need to undertake a study on the effect of earnings management practices on financial performance levels of Uganda Clays Limited and the effect unprofessionalism of accountants on occurrence earnings management practices in manufacturing companies.

