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SEMINAR SERIES

Earnings management among NHS Foundation Trusts: A good beginning makes a good ending?

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Venue: D112, Rhind Building, ECV1 0HB (Building D - <http://www.city.ac.uk/visit>)

Abstract: In April 2004, the first wave of hospitals in England were given a Foundation Trust (FT) status, which allowed them greater financial autonomy and freedom. A bit more than a decade later, FTs face unprecedented financial difficulties and huge deficits. This paper aims to explore whether NHS hospitals managed earnings upward prior to applying for an FT status, presenting an overly positive picture of their financial position. We find compelling evidence that NHS Foundation Trusts adjusted discretionary accruals upward for up to two years prior to their application for an FT status. Our findings further support our hypothesis that this practice had a negative impact on their future financial performance. Our study shows that the benefits that came along with the FT status, provided a strong incentive to hospitals applying for the scheme to manage earnings. This was a much stronger incentive than the NHS Trusts' statutory obligation to break even. In light of the difficult financial situation faced by NHS FTs currently, these findings could have significant implications for policy makers and the regulator.



Bio: Seraina C. Anagnostopoulou undertook doctoral studies on a scholarship at the Cass Business School, City University, London, UK, from which she obtained a Ph.D. in Accounting in 2007. Prior to joining the Henley Business School, she was an Assistant Professor (2013-2016) of Accounting at the Athens University of Economics and Business.

Her research focuses on accounting quality and earnings management, market-based accounting research and financial statements analysis, accounting in the healthcare sector, the economic consequences of IFRS adoption, and R&D-related valuation issues.