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FINANCIAL TRANSPARENCY AND TAX AVOIDANCE RISKS FOR MANUFACTURING COMPANIES: A STOCK MARKET ANALYSIS OF TAX COMPLIANCE IN ROMANIA

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Abstract

This study explores the phenomenon of tax avoidance and earnings management whereby companies intentionally adjust their financial reporting to minimize tax liabilities. An applied analysis of the financial performance of 60 companies listed on the Romanian Stock Exchange, using data collected from the balance sheet, profit and loss statement and cash flow statement over a two-year period. The research sheds light on the mechanisms through which companies resort to earnings management practices to disguise real revenues and reduce tax liabilities, thus affecting reporting transparency. The results provide a valuable framework for investors in which the manufacturing sector is emphasized, as the effects indicate a reduction in confidence and increased volatility in financial performance. These survey findings are relevant for investors as they highlight the risks associated with investing in companies that adopt such practices. The analysis also provides important insights into the identification of companies with high tax compliance, which is essential for the design of long-term stakeholder decisions. The paper emphasizes the need to improve tax and accounting regulations to reduce the risks of tax avoidance in the Romanian stock market environment.

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