

**EXHIBIT 1
CORRELATION COEFFICIENTS**

Early warning sign	Correlation measures of abusive earnings management	Correlation*
1	Operating cash flows with operating income	.845
1	Operating cash flows with net income	.445
2	Net accounts receivable with sales revenues	.983
2	Gross accounts receivable with sales revenues	.984
3	Allowance for uncollectible accounts with net accounts receivables	.522
3	Allowance for uncollectible accounts with gross accounts receivables	.665
3	Provision for doubtful accounts (bad-debt expense) with write-off of doubtful accounts	.531

** This measure ranges from -1.0 (a perfect negative correlation) to 1.0 (a perfect positive correlation); zero (0) indicates no relationship between two variables.*