Effect of Audit Quality on Earnings Management of Listed Consumer Goods Companies in Nigeria

THOMAS, Oluwasegun

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E – Mail: ostabrownfarm@gmail.com, Phone No: +234 8059282327

Abstract

Financial reporting is a means through which managers communicate companies' economic performance to stakeholders. Over the years, the markets have witnessed several accounting scandals perpetuated through the manipulation of the accounting figures reported in financial statements. This has led to the questioning of the ability of auditors to effectively constrain such practices, especially in developing countries. Given the prominence of this problem and the expected role of the auditor, this study examined the connection between audit quality, as one of the important features of good corporate governance and earnings management among listed consumer goods companies in Nigeria. Specifically, the study focused on audit firm size, audit fees, auditor tenure, auditors' industry specialization and audit engagement partner gender diversity as independent variables and earnings management as dependent variable proxied by discretionary accruals. Descriptive correlational research design is adopted. The population included all the 21 companies in the consumer goods sector, 17 out of which were purposively sampled for the purpose of data collection. The study covered the period 2011-2020 and utilisedsecondary data extracted from the annual accounts of the companies for the period of the study. The study employed the use of multiple regression analysis technique to analyse the data with the aid of STATA version16. From the regression results it was revealed that audit fees, audit firm size and auditor industry specialization have a statistically positive significant effect on earnings management while auditor tenure and audit engagement partner gender diversity was found to have no significant influence on earnings management of listed consumer goods companies in Nigeria. The study concluded that audit quality is an effective corporate governance mechanism for constraining the problem of earnings manipulation in financial report of companies. The study, therefore, recommended that there is need for companies, accounting regulators, Financial Reporting Council of Nigeria and indeed all stakeholders to consider an expanded approach in examining audit quality in Nigeria.

Keywords: Audit quality, Earnings quality, Consumer goods, Nigeria

INTRODUCTION

The global financial tragedies at the start of the 21st century and the global financial crisis that started in 2007 as well as the most recent collapses of companies such as Carillion, Patisserie Valerie and London Capital and Finance in the UK, failings in South Africa's state owned entities Transnet, Eskom, and South African Airways and the 1MDB scandal in Malaysia to name a few have directed political and regulatory attention on the audit profession and have also exposed serious corporate governance failings. Specifically, it has attracted a great deal of attention and scrutiny by investors, regulators and stakeholders on various aspects of accounting, auditing, and financial reporting (Tugman & Leka, 2019). The effectiveness of the corporate governance function, audit qualityand the regulatory framework has also, become a global concern. This is because the global financial crisis resulted in the downfall of many high-profile companies, with many critics blaming the auditors and corporate governance for their failure to prevent such a crisis from happening. As a response to those global events, regulatory institutions had to reassess the foundations of companies' regulations. Furthermore, audit quality codes of best practice have been developed in different countries in order to curb the spate of vicious corporate collapses that pervade the globe in the past decade and to guarantee integrity of auditors' reports in relation to corporate earnings.

Audit quality is referred to as the market-assessed joint probability that a given auditor will discover a breach in the client's accounting system and will report the breach (De Angelo, 1981). Audit quality also depicts the degree to which a set of inherent characteristics of an audit fulfils its requirements. The audit of a company's accounts is a monitoring and control mechanism that diminishes information asymmetry and protects the interests of the principal. Thus, the audit process assesses the probability of material misstatements and reduces the possibility of undetected misstatement to an appropriate assurance level (Okolie, 2014). Audit quality influences financial reporting and strongly impact on investors' confidence. In Nigerian, to further restore stakeholders' confidence and improve financial reporting quality, the Financial Reporting Council (2020) made several efforts towards improving the audit quality of financial reports of companies such as length of auditor tenure, mandatory auditor rotation, independence as well as auditors' skills and competence. The "code" specifically states that to enhance auditor independence, companies should rotate their audit engagement partners every five years. Since auditor's skills and competence are unobservable and difficult to measure, user's perception of audit quality using audit firm size, audit fees, auditor tenure, industry specialization, engagement partner gender diversity have been used and consistent with (Bashirieddin, 2010). On the other hand, Earnings Management (EM) is a strategy used by company managers to deliberately manipulate company earnings to match a predetermined target. It connotes the planning and execution of certain activities that manipulate or smooth income, achieve high earnings level and sway the company's stock price. EM is primarily achieved by managed actions that make it easier to achieve desired earnings levels through accounting choices inherent in Generally Accepted Accounting Principles (GAAP). This is commonly occasioned by discretionary accruals manipulations that are likely to present some problems for a true and qualitative earnings report in an emerging market such as the Nigerian Stock Exchange (NSE).

Studies on audit quality and earnings quality remain important to policymakers, investors and regulators. This is because the quality of company reported earnings affects investors' confidence and allocation of resources in the financial markets. Company reported earnings are prone to management legitimate manipulations, and the functions of corporate governance and external auditing serve as direct monitoring mechanisms of the company's financial reporting processes. As these two functions also potentially have a direct impact on the degree of earnings management exercised by the companies' management, the importance of their role and effectiveness cannot be over emphasized. The need to ensure high audit quality of financial reports of companies cannot be overemphasized.This is becausehigh-quality external auditing is a central component of a well-functioning capital market. Companies with a reputation for credible financial reporting are likely to change auditors when their audit quality is questioned to avoid capital market consequences of unreliable financial reporting. The performance of independent auditors is deemed fundamental to the functioning of the financial and capital markets based on the assumption that, by issuing an opinion on the reliability of accounting information, it contributes to a business environment characterized by trust and credibility. Bearing in mind that earnings management practices are classified accrualsand real activities manipulations, the combined effectiveness of corporate governance monitoring mechanisms in constraining accruals earnings management has been extensively investigated (Warfield, Wild & Wild 1995; Yeo, Tan, Ho, & Chen, 2002; Wang, 2006; Teshima&Shuto, 2008; Pouraghajan, Tabari, Emamgholipour&Mansourinia, 2013; Hoang Khanh&Khuong 2018, Alzoubi, 2017, Ghosh & Moon, 2005; Gul, Fung &Jaggi, 2009; Krishnan, 2003; Rusmin, 2010; Demers and Wang (2010) and Li (2010).) However, most of these studies are foreign-based and given the disparities in economies, the level of sophistication in the monitoring mechanisms and litigation risks faced by external auditors, studies from Nigeria may produce different results. This gives a considerable justification for the current study. Also, their findings are mixed and inconsistent which makes the area amenable to further research.

Furthermore, most of the prior studies on audit quality and earnings management in Nigeria such as Okolie, Izedonmi and Enofe (2013) and Okolie (2014), focused more on audit firm size, audit fees and auditor tenure even though the literature has listed other proxies of audit quality. This approach limits the generalization of findings concerning the effect of audit quality on earnings management of firms in Nigeria. A study that includes more variables such as auditor industry specialization and audit engagement partner gender diversity is desirable as it provides a better understanding of the effect of audit quality on earnings management of firms in Nigeria. It is important to study auditor industry specialization (one of the proxies for audit quality) to decide empirically the extent which it associates with earnings management in the Nigerian consumer goods sector. This is important because given the complex nature of the non-financial companies and business operations, industry specialist auditors are expected to play a prominent role in mitigating earnings managementof companies operating in the sector due to their specific knowledge of the industry. The motivation for conducting this study andparticularly in the consumer goods sector is based on the obvious gaps in previous empirical literature such as inconsistent and mixed findings, external validity, timing differences, sectorial peculiarities and variables differences. Also, the fact that consumer goods sector is of utmost concern to a multiplicity of stakeholders given that a significant proportion of income in Nigeria is tailored towards consumption and that the audit quality variables to the best of our knowledge and as extant literature reveals have not been captured much in any research work relating to earnings management in Nigeria. This study will therefore, fill the gaps in literature by empirically, examining the effect of audit firm size, audit fees, auditor tenure, auditor industry specialization and engagement partner diversity on earnings management of listed consumer goods companies in Nigeria. Thus, the general objective of this study is to ascertain the effect of audit quality on earnings management of consumer goods companies in Nigeria.

LITERATURE REVIEW

Audit Quality

There are many attempts to define the concept of audit quality either on professional organisations level, or academic level. On the professional organisations level: for example, International Federation of Accountants (IFAC, 2009) pointed to the concept of audit quality in the international standard on quality control. It stated that "the objective of the audit firm is to establish and maintain a system of quality control to provide it with reasonable assurance that: (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and (b) Reports issued by the firm or engagement partners are appropriate in the circumstances" (IFAC, 2009; 15). This means that the concept of audit quality from the perspective of (IFAC) lies in the compliance with professional standards and legal and regulatory requirements.

Audit Firm Size

As at date, there appears to be no agreed – upon metric for the measurement of audit quality construct (Gerayli, Yanesari&Ma'atoofi, 2011; Knechel, 2009 and IAASB, 2011). DeAngelo (1981) developed a two-dimensional definition of audit quality that set the standard for addressing the issue. First, a material misstatement must be detected, and second, the material misstatement must be reported. Audit quality is influenced by many other factors as well. Since 1981, accounting studies have attempted to define, measure, and study multiple dimensions of audit quality. DeAngelo (1981) theorizes that larger firms perform better audits because they have a greater reputation at stake. In addition, because larger firms have more resources at their disposal, they can attract more highly skilled employees. Others have theorized that large auditor attract a fee premium because their greater wealth reduces clients' exposures in litigation (the deep pockets theory). Others have theorized that there is no real audit quality difference, but the perception exists because large firms are well known and have gained a reputation for high quality.

Audit Fees

International Standards on Auditing defines Audit fees as the amount that remunerates the financial auditor's activity, the certification of financial statements. The code of ethics for professional accountants stated that audit fees should be calculated in an objective way and the auditor's independence should not be influenced by them. A number of research have been carried out on the determinants of audit fee. Most of the research findings showed that the major determinants of audit fees may include firm size, business complexity, auditor type, audit tenure, company performance, leverage etc. AL-Khaddash, Nawas and Ramadan (2013) defined audit fees as all charges that the companies pay to the external auditors against the audit services and non-audit services, e.g. management advisory and consultants. The Securities and Exchange Commission (SEC) defined audit fee as the fees paid for annual audits and reviews of financial statements for the most recent fiscal year. Chersan (2012) also defined audit fee as the sums payable/paid to the auditor for the audit services offered to the auditee.

Auditor Tenure

Adeyemi, Okpala and Dabor (2012) opined that for effective and quality audit, the audit-firm tenure is also considered because it is of great influence. Audit-firm tenure is the length of the audit-firm-client relationship as of the fiscal year-end covered by the audited financial statements. Following prior research (e.g., Pierre and Anderson 1984; Stice 1991), audit tenure is defined as short when the same auditor has audited the financial statements of a company for two or three years. Audit tenure is defined as long when the same auditor has audited the financial statements of a company for nine or more years. Based on definition of short- and long-term tenure, we define audit tenure as medium when the same auditor has audited the financial statements for four to eight years.

Auditor Industry Specialization

Industry specialist auditors are auditors who have gained great training and experience concentrated in a specific industry. Solomon, Oyerogba and Olaleye (1999) finds that industry specialist auditors have more accurate non-error frequency knowledge than non-industry specialists. Owhoso, Messier, and Lynch (2002) suggests that industry specialists can more effectively detect seeded errors in staff work papers during the audit review process. Low (2004) finds that auditors' industry specialization improves their audit risk assessments. Hammersley (2006) finds that matched specialists (i.e., specialists working in their industry) develop more complete problem representations about the seeded misstatement when they receive partial- or full-cue patterns than when they receive no-cue patterns, whereas mismatched specialists are not able to develop more complete problem representations even when they receive full-cue patterns. These behavioural auditing studies suggest that auditor industry specialization can enhance the effectiveness of auditors' work as a result of their greater industry-specific knowledge.

Engagement Partner Gender Diversity

It has been acknowledged in several studies, in behavioural economics and psychology that gender-based differences exist (e.g., Johnson & Powell, 1994; Byrnes, 1999). Women are significantly more risk averse (Watson & McNaughton, 2007), more conservative and comply more with law and regulation than men. Researchers are motivated to examine the relationship between female executives and earnings management. Srindhi (2011) suggests that a gender-diverse board could improve earnings quality. The research conducted by Peni and Vähämaa (2010) shows that female directors are associated with more conservative earnings management strategies. Additionally, gender research has been done for audit partners in relation to earnings management of their clients. Since previous articles suggest that women in general and in executive functions are more conservative and risk averse, this should consequently be the case for female audit partners. Indeed, the purpose of the article of Ittonen (2013), is to study whether there is a difference between male or female audit partners in the acceptance towards earnings management. Female audit partners are associated with higher levels of discretionary accruals.

Empirical Review

Mehdi, Fahim and Haithem (2021) examines whether gender-diverse engagement partners constrain unethical earnings management behavior in a French mandatory joint audit setting. The study used multiple regression analysis technique to analyse the data and the empirical results show that gender-diverse audit partners are negatively associated with discretionary accruals of client firms. Gender-diverse audit partners are also found to constrain earnings management irrespective of whether clients hire one or two brand-name audit firms. Finally, the research finds that the pervasiveness of earnings management declines when client firms switch from all-male audit partners to gender-diverse audit partners. The findings underline the importance of considering audit partner gender by policy makers in contexts where joint audits are required or in countries that are considering introducing joint audits. Juan and David (2020) examined the effect of audit fees on audit quality, measured by how the level of earnings management, is affected by the type of audit (voluntary vs mandatory), as well as whether the effect of audit fees on audit quality is different depending on the type of audit. Using a sample of Spanish SMEs composed of both voluntarily and mandatorily audited companies, the study found that voluntary audits have higher quality when audit fees are lower, but the differences in audit quality between voluntary and mandatory audits reverse as audit fees increase, and mandatory audits are more effective at deterring earnings management when audit fees are high. Additional analyses showed that voluntary audits do not directly affect earnings management; instead, voluntary audits are associated with abnormal fees, which in turn negatively affect earnings management. The results also showed that audit fees are only negatively associated with earnings management when accruals are income-increasing, which is related to auditor conservatism. This current study relates to EM as it clearly explains the motivation as to why managers would want to engage in earnings management. Soepriganto, Krisky, Indra and Zudana (2020) examines the association between audit quality and gender of the firm's audit engagement partner in Indonesia. Specifically, prior studies provide evidence that given gender-based difference in diligence, conservatism and risk tolerance, it is plausible that female auditors may improve audit quality. Indonesia provides valuable research setting to investigate the issue, as it is mandatory to disclose the identity of the audit partners in the audit reports. This study employs multivariate regression model to test the hypothesis, which examines the association between audit quality and audit partner's gender. Using a sample of Indonesian publicly listed firms. The study ran a panel of regression of audit quality, measured by abnormal accruals on female auditor variable and firm-specific controls. To triangulate the results, the study also conducts sensitivity analysis using high and low category of abnormal accruals, an alternative measure of accruals quality (i.e.,Beneish's M score) and propensity score matching (PSM). The study finds that firms with female audit engagement partners are not associated with smaller abnormal accruals, thereby implying that female auditors may not constrain effects on earnings management. In other words, gender is not an important predictor for audit quality in Indonesia.

Sitranggang, Karbhan, Matemilola and Ariff (2019) investigated whether audit quality is associated with real earnings management in the UK. The authors apply the panel fixed effects method that controls for heterogeneity across firms to investigate whether audit quality is related to real earnings management for a large sample of UK manufacturing companies for the period 2010–2013. The authors utilized three proxies to measure real earnings management and two proxies to measure audit quality. The results provided evidence that audit fees are negatively related to abnormal operating cash flows. Conversely, audit fees are positively related to abnormal discretionary expenses. Besides, audit quality proxies show insignificant relationship with abnormal production costs and real earnings management index. Overall, the study finds partial evidence of significant relationship between audit quality and real earnings management. These results are important subject to the adequacy of the indicators of real earnings management and audit quality. Like previous research works that mostly focus on upward earnings management, the authors do not address the question of whether and how firms take real actions to manage earnings downwards in certain contexts. Muogbo, Nneka and Ikena (2019) investigated the effect of auditor tenure on earnings management of listed companies in Nigeria. The study adopted ex- post factor research design. The population of the study 170 listed firms on Nigeria Stock exchange as 2017. The sample size was 24 listed firm. The period of research was 2007-2017. In the analysis of the data, the study employed Houseman Specification to test between fixed and random effects. The findings indicated that audit tenure has significant positive effects on earnings management of the Nigerian listed companies. This study covered all listed firms and given the peculiarities in the consumer goods sector, a study that will focus on only the sector is desirable. Onaolapo, Ajulo and Onifade (2017) investigated the effect of auditor attributes on Audit Quality: Evidence from Cement Manufacturing Companies in Nigeria. Audit fees, Audit tenure, client's size, leverage ratio was used as variables. The study employed the use Ordinary Least Square model estimation technique to analyze the combined relationship between the dependent and independent variables. Audit tenure showed a significant relationship with audit quality. Only two variables have been examined in the above reviewed study, however, more variables will be examined in this current study.

Theoretical Framework

Agency Theory

Agency theory recognizes that there is a tug-of-war of interests between owners or principals and managers. The problem of information integrity appears, for which one reason is due to the information asymmetry. Investors possess limited access to sufficient information to make decisions. Beneficial behaviors become the tendency for managers who possess more information than other stakeholders (Jensen and Meckling, 1976). Information,including quality information on earnings, is very much needed by investors as material for making decisions. Auditors as external parties may be the ones to rely on neutralizing conflicts of interests and reducing the information asymmetry, thereby maintaining the information integrity of financial reports (Almutairi et al., 2009; Varici, 2013). Companies may obtain economic and control benefits from auditing activities; one of these is that audits can increase information quality and earnings quality. Audits play an important role in decreasing the information asymmetry and moral hazards in order to provide certainty of information to stakeholders, so that the financial reports that are prepared by managers as agents can be relied upon.

METHODOLOGY

This study adopts ex-post facto research design in achieving its objectives. The design is considered more appropriate because it establishes relationships by first identifying some existing phenomena and then analysing data to establish possible causal factors. The research used data obtained from documented historical data contained in the annual reports and accounts of those listed companies under study, where the variables of study were not controlled since the phenomenon of the study has already occurred. The population of the study consisted of all the twenty-one (21) consumer goods companies listed on the Nigerian Stock Exchange from 2011-2020. The study used purposive sampling technique to obtain a sample size of sixteen (16) firms listed in the consumer goods sector. This number is arrived at after eliminating firms that did not meet the criteria that a company must have complete information for the number of years under consideration and must have not undergone reorganisation or merger within the period.

Table 3.1 Population of the Study

S/N	Name	Year of Listing
1	Champion Brewery Plc	1983
2	Golden Guinea Brewery Plc	1979
3	Guinness Nigeria Plc	1965
4	International Brewery Plc	1995
5	DN Tyre & Rubber Plc	2001
6	Nigerian Breweries Plc	1973
7	Nigerian Enamelware Plc	1979
8	7 Up Bottling Company Plc	1986
9	Vita Foam Nigeria Plc	2007
10	Dangote Sugar Refinery Plc	2006
11	Flour Mills Nigeria Plc	1979
12	Honeywell Flour Mill Plc	2006
13	P. Z. Cussons Nigeria Plc	1974
14	Multi – Trex Integrated Foods Plc	2010
15	Nascon Allied Industries Plc	1992
16	Northern Nigeria Flour Mills Plc	1978
17	Dangote Flour Mills Plc	2008
18	Union Dicon Salt Plc	1993
19	U.T.C. Nigeria Plc	1972
20	McnicholsPlc	2009
21	Unilever Nigeria Plc	1973
22	Cadbury Nigeria Plc	1979
23	Nestle Nigeria Plc	1976

Source: Nigerian Stock Exchange website, 2021.

Table 3.2 Sample Size of the Study

S/N	Name
1	Champion Brewery Plc
2	Guinness Nigeria Plc
3	Unilever Plc
4	Nigerian Enamelware Plc
5	Multi-Trex Integrated food plc
6	Vita Foam Nigeria Plc
7	Dangote Sugar Refinery Plc
8	Flour Mills Nigeria Plc
9	Honeywell Flour Mill Plc
10	P. Z. Cussons Nigeria Plc
11	Nascon Allied Industries Plc
12	Northern Nigeria Flour Mills Plc
13	International Breweries Plc
14	McNichols Plc
15	Cadbury Nigeria Plc
16	Nestle Nigeria Plc

Source: Nigerian Stock Exchange website, 2021.

The study employed secondary sources for the purpose of data collection. The data was collected from the annual reports of the sampled companies for a period of ten (10) years 2011-2020.The period of the study chosen reflects the time when code of corporate governance is in effect in the Nigerian capital market. These firms are public limited companies listed on the Nigerian Stock Exchange. By virtue of being public limited companies and as a requirement of being listed, annual financial report has to be made available to the Nigerian Stock Exchange. Secondary data is factual and verifiable thus, validity of inferences from its use in analysis is ensured. Secondary data are useful not only for finding out information to answer research questions, but also for providing a better understanding of and explaining research problems. The data is quantitative and panel in nature. Therefore, the panel dataset comprised 160 firm years' observations which are subjected to different tests for analysis.

Technique for Data Analysis and Model Specification

Multiple regression analysis technique was adopted for the purpose of analysis because it is used to test the changes in the combination of two or more predictors on a dependent variable. Basically, it is used to predict the level of change in the outcome variable. Two step regression was used in determining the level of earnings management of listed consumer goods companies adopting, Dechow, Sloan and Sweeny (1995) model. The residuals for the Dechow et al (1995) model after inserting the sampled firm's data was used in the second model regression model specified for the study. However, the residual determines the accrual quality, the larger the residuals, the higher the earnings management and the higher the earnings quality. STATA version 16 was employed as tool of data analysis. Furthermore, in estimating multiple regression models, researchers usually are challenged with the following: Fixed Effects estimation and Random Effects estimation. The Hausman (1978) test helps to determine the choice between the fixed or random effect models in conducting the regression by calculating the value of Probability chi-square.

Model Specification

The following equation forms the model of the study; this equation is represented as follows.

EM=f (AFZ, AF, AT, AIS, APGD)

Explicitly, the regression model is econometrically represented as:

$EM = \beta_{0it} + \beta_1 AFZ_{it} + \beta_2 AF_{it} + \beta_3 AT_{it} + \beta_4 AIS_{it} + \beta_5 APGD_{it}\ \beta_6 FZ_{it} + e_{it}$

Where:
EM =Earnings Management
β_0 =Constant
AFZ= Audit Firm Size
AF= Audit Fees
AT= Audit Tenure
AIS= Auditor Industry Specialization
APD= Audit engagement Partner Gender Diversity
FZ= Firm Size
LEV=Leverage
e = Error Term
$\beta 1$-$\beta 7$= are the parameters estimate or coefficients in equation
it= cross-sectional time series

Variable Measurement

Earnings management is proxied by discretionary accruals using Dechow, Sloan and Sweeny (1995) model as stated below:

DACC= TAccit/ATit-1- $\alpha 0$+ $\alpha 1$ (1/ ATit-1) + $\alpha 2$ (Δ REVit / ATit-1) + $\alpha 3$ (PPEit / AT it-1) + $\alpha 4$ROAit-1+ε_{it}

TAccit=Total Accruals of the company; PPEit = Property, plant and equipment of the company; ΔREVit, t= Change in Revenue of the company; ATit-t= Assets total of the company in year t-1; ROA it-1= Return On Assets of the company in year t-1; ε = random error term

Table 1: Measurement of variables

s/n	Variables	Variables measurement
1	**AFSIZE**	Measured by Dichotomous:1 if company is audited by a Big4, otherwise 0 (DeAngelo, 1981; Khrishan&Schauer, 2000; Khrishan, 2003).
2	**Audit Fee**	Measured as a natural logarithm of the amount of audit fees paid to the auditor by the company. (Effiok, & Eton, 2013)
3	**Auditor Tenure**	The length of time (number of years) spent by the audit in the firm (Jayeola, Taofeekb&Toluwalase, 2017).
4	**AIS**	Measured by dichotomous variable 1 for the companies audited by industry specialist auditors and 0 for non-specialist auditors. Zhou and Elder (2001): Krishnan & Yang 2003).
5	**Audit Partner GenderDiversity**	Measured by dichotomous: 1if audited by a female audit partner, 0 otherwise
6	**Firm Size**	Natural log of Total Assets
7	**Leverage**	Proportion of debt to equity

Researcher's computation (2021)

RESULT AND DISCUSSION

Descriptive Statistics

A descriptive statistic is an analysis of data that helps to describe, show or summarize the behaviour of data in a meaningful way, which allows for simpler interpretation of the data. This section contains the description of the properties of the variables ranging from the mean of each variable, minimum, maximum and standard deviation.

Table 2: Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max

EM	170	.0818674	.1133165	-.8124793	.5029503
AFZ	170	.5588235	.4979946	0	1
AF	170	4.304034	1.317712	1.812913	6.623249
AT	170	.6823529	.4669368	0	1
AIS	170	.5823529	.4946283	0	1
APED	170	.8470588	.3609941	0	1
FZ	170	7.672151	1.126939	293848	9.800101
LEV	170	.5627618	.139082	.0548244	.8891875

Source: STATA OUTPUT, 2022

The outcomes in Table 2 indicates that the measure of earnings management (EM), which is the inverse of absolute discretionary accruals of consumer goods firms has an average value of .0818674 with standard deviation of .1133165, and minimum and maximum values of -8124793 and .5029503 respectively. The extent of absolute value of discretionary accruals in the sample firms has a mean of 8% with standard deviation of .11%. This indicates that the deviation between companies is very small. The firms tend to record a relatively high earnings management in some years than in others. The table one show that audit firm size (AFS), has a mean value of .5588235 and a corresponding standard deviation of .4979946. This shows that 55% of the firms under study deploy the use of Big4 auditors for their audit assignments and the value of the standard deviation confirms this assertion. The Table also indicates that the sample firms have an average of log audit fees (AF) of 4.304034 with standard deviation of 1.317712 respectively. This means that the average amount of audit fees paid by the firms within the period of the study is 4.30 million. The figure of the standard deviation shows that there is a high level of variance in the audit fees paid by companies. The minimum and the maximum as shown by the table is 1.812913 and 6.623249. This implies that the least amount spent on audit fees is 1.81 million and the largest is 6.623249%

The descriptive statistics from Table 2 also indicates the mean of the auditor tenure (AT) is .6823529 which signifies that on the average it can be said that approximately 68% of the firms rotate their auditors after three years of engagement. The auditor tenure shows a minimum and maximum of 0 and 1 respectively. The descriptive statistics in Table 2 shows that on average, the auditor industry specialist auditors (AIS) during the period of the study is 58%, from the mean value of .5823529 with standard deviation of .4946283. This shows that on average 58% of the firms used auditors that were specialist in auditing consumer goods companies. The value of the standard deviation which depicts 49% means most of the firms used industry specialist auditors in their audit engagements. The auditor industry specialization shows a minimum of 0 and maximum of 1 respectively. Furthermore, Table 2 also shows that the average value for audit engagement partner gender diversity to be .8470588 with a corresponding standard deviation of .3609941. This imply that 84% of the consumer goods firms have women as audit partners. However, the value of the standard deviation which is 36% shows an enormous disagreement with this submission. This also, mean that mix in respect to gender vary significantly from company to company. The standard deviation suggests that the data is distributed around the mean. The minimum and maximum values of audit engagement partner gender diversity are .0 and 1 respectively.

Table 2 also shows that the average firm size (FSZ) of the sampled consumer goods firms during the period of the study is 7.672151 with a standard deviation of 1.126939. This implies that the size of consumer goods firms in Nigeria vary. The standard deviation suggests that the data is distributed around the mean. The minimum and maximum values of FSIZ are .0 and 1 respectively. The Table also indicates that the sampled consumer goods firms in Nigeria have an average leverage (LEV) of .5627618 during the period of the study, with a standard deviation of 13%. This suggest that the average proportion of debt to equity stood at 56%. However, the value of standard deviation is showing that this may be different across the companies that make up the sector. Meanwhile, the minimum and maximum value stood at 1% and 83% respectively. The standard deviation suggests that the data is spread around the mean.

Correlation Matrix

A correlation matrix is a table showing correlation coefficients between variables. Each cell in the table shows the level of association between two variables. A correlation matrix is used to summarize data, as an input into a more advanced analysis, and as a diagnostic for advanced analyses. The table below shows the correlation between the dependent variable and each of the independent variables as well as among the independent variables.

Table 3: Correlation Matrix

Variables	EM	AFZ	AT	AIS	AF	APGD	FZ	LEV
EM	1.0000							
AFZ	0.1807	1.0000						
AT	-0.0933	0.2844	1.0000					
AIS	0.183	0.4006	0.3701	1.0000				
AF	0.2285	0.1684	0.0727	0.0447	1.0000			
APGD	-0.2216	-0.2459	-0.1846	-0.1279	-0.1320	1.000		
FZ	0.1884	0.1177	0.0140	0.1464	-0.1366	-0.2504	1.000	
LEV	0.0299	-0.0770	0.1768	0.0412	-0.0375	0.2903	-0.0220	1.000

Source: Output from STATA, 2022.

Table 3 shows the correlation between the dependent variable, EM and the independent variables, AFZ, AF, AT, AIS, AEPD, FSZ and LEV on one hand, and among the independent variables themselves on the other hand. Generally, high correlation is expected between dependent and independent variables while low correlation is expected among independent variables. According to Gujarati (2004), a correlation coefficient between two independent variables 0.80 is considered excessive and thus certain measures are required to correct that anomaly in the data. From Table 3, all the correlation coefficients among the independent variables are below 0.80. This points to the absence of possible Multicollinearity though the value inflation factor (VIF) and tolerance value (TV) test is still required to confirm the assumption. The table reveals a positive correlation between the dependent variable of earning management and the explanatory variables of audit fees, audit firm size and auditor industry specialization with coefficients of 0.1807, 0.2285 and 0.0183 respectively. This implies that the three explanatory variables move in the same direction with earnings management. The table also reveals that audit engagement partner gender diversity and auditor tenure exhibit negative correlations with earnings management, with coefficients of -0.1131and -0.0612 respectively. This means that the two explanatory variables and the outcome variable move in different direction. In addition, the table reveals that the control variable of firm size and leverage have a positive correlation with the predictor variable.

Regression Diagnostics

The following healthiness tests are carried out to find out whether data used for analysis are reliable.

Test for Multicollinearity

Non-existence of Multicollinearity is a key assumption of linear regression analysis. Multicollinearity occurs when the explanatory variables are not independent of each other. Multicollinearity is examined using tolerance and variance inflation factor (VIF) values. The result of Multicollinearity test is shown in the table below.

Table 4.3: Tolerance and VIF Values

Variable	VIF	1/VIF
AFZ	1.36	0.705710
AIS	1.34	0.723800

AEPD	1.30	0.763480
AT	1.26	0.800334
LEV	1.17	0.885463
AF	1.10	
FZ	1.14	0.957150
Mean VIF |	1.24	

Source: STATA Output, 2022.

Based on the evidence presented in Table 4.3, it can be concluded that there is no Multicollinearity problem. This is because the VIF values for all the variables are less than 10 and the tolerance values for all the variables are greater than 0.10 (rule of thumb).

Test for Heteroscedasticity

Heteroscedasticity arises when the error terms along the regression are not equal. Heteroscedatiscity was tested using Breusch Pagan's Test. Based on the results, it can be concluded that there is no problem of heteroscedasticity as the chi square is 12.67, with a corresponding probability of 0.0004 which is insignificant, implying that there is absence of heteroscedasticity.

Hausman Speciation Test

In panel data analysis (the analysis of data over time), the Hausman Test can help to choose which between fixed effects model or a random effects model is appropriate for interpretation. The null hypothesis is that the preferred model is random effects; The alternate hypothesis is that the preferred model is fixed effects. Essentially, the tests look to see if there is a correlation between the unique errors and the regressors in the model. The null hypothesis is that there is no correlation between the two. Therefore, because of the homogeneity of data used in this study, which assumes that fixed effects and random effects models are similar, Hausman test is performed to determine which of the two models is more efficient.

Table 4.4: Hausman Speciation Test

Variables	Fixed effect	Random Effect	Differences
AFZ	.0394544	.0027845	.0020796
AT	.0540668	.0164945	.0001372
AIS	-0.0119128	.0200302	.001483
AF	0.0222204	0.0179527	0.0042677
AEPD	-0.0038902	-0.0347452	0.030855
FZ	0.013331	0.0192284	-0.0058974
LEV	-0.0863029	-0.0004279	-0.085875
chi2(6) =	9.23		
Prob>chi2 =	0.2364		

Source: output from STATA, 2022.

The Hausman Speciation Test is conducted to choose between the fixed and random effect model. The result of the Hausman Test revealed that the value of chi2 is 9.23 and the prob>chi 0.2364. The insignificant value as reported by the probability of chi2 indicates that the Hausman Test is in favour of random effect model. Furthermore, to meet the condition that one or more equations have to be satisfied exactly by the chosen values of the variables, the Breusch and Pagan Lagrangian Multiplier Test for random effect was conducted to choose between the random effect result and pooled OLS regression. The result revealed that the chi2 value is 0.00 with prob>chi2 = 0.4725. The result indicated that the best model to be interpreted is the pooled OLS regression model.

Table 4.5 Pooled Independent OLS

REM	Coefficient	T	p-value
AFZ	.0275067	12.90	0.000

AF	.0178775	2.73	0.007
AT	-.0296046	-1.53	0.128
AIS	.0819497	3.89	0.000
AEPD	-.0360208	-1.38	0.169
FZ	.0194296	2.48	0.014
LEV	.00940343	0.15	0.883
R-Squared	0. 6416		
Adjusted R-Squared	0.6216		
Prob > F	43.82		0.0007

Source: output from STATA, 2020.

The R-square value showed the level at which the explanatory variables explain the dependent variable. Table 4.4 reveals that the R-square is 0.6416. This means that the audit quality variables in the study explained the earnings management (EM) to the tune of 64%. The value of F - statistic is 43.82 with probability of chi2 = 0.000. The probability of chi2 is significant at 1%, indicating that the model is fit. This serves as substantial evidence to conclude that the audit quality attributes variables selected for the study are suitable for the study on the effect of audit quality on earnings management of consumer goods firms in Nigeria. Based on the explanatory variables, the result of the study as shown on table 4.4 indicate that audit firm size has a coefficient of .0275067, a t-value of 12.90 and a p-value of 0.000. This suggests that audit firm size has a positive coefficient with EM of consumer goods firms in Nigeria. A unit increase in the use of Big4 companies will lead to a corresponding increase in EM by 3%. Based on this, the study rejects the null hypothesis five (H01) which states audit firm size has no significant effect on earnings management of consumer goods firms in Nigeria. Table 4.4 shows that audit fees have a t-value of 2.73, a coefficient of .0178775 and a p-value of 0.007 which is significant at 5%. This means that audit fees have a significant positive relationship with earnings management of listed consumer goods firms in Nigeria. The 5% significance level reveals that audit fees have a strong statistical influence on EM of consumer goods firms in Nigeria. Based on this, the study rejects the null hypothesis one (H02) which states that, audit fees have no significant effect on earnings management of listed consumer goods firms in Nigeria.

The table also shows that auditor tenure has an insignificant negative effect on the earnings management of listed consumer goods firms in Nigeria, from the coefficient of -.02960 with t-value of -1.53 and a p-value of 0.128 which is statistically insignificant at all levels of significance. Based on this, the study accepts the null hypothesis three (H03) which states that, auditor tenure has no significant effect on earnings management of listed consumer goods firms in Nigeria. Table 4.4 also shows that auditor industry specialization has a significant positive effect on the earnings management of sampled consumer goods firms in Nigeria, from the coefficient of .0819497 with t-value of 3.89 and a p-value of 0.000 which is statistically significant at 5% level of significance. This result suggests that an increase in use of industry specialist auditors decreases the level of earnings management of firms. Based on this, the study rejects the null hypothesis two (H04) which states that, auditor industry specialization has no significant effect on the earnings management of listed consumer goods firms in Nigeria. Table 4.4 indicates that audit engagement partner gender diversity has an insignificant negative effect on the earnings management of sampled consumer goods firms in Nigeria, from the coefficient of -.036032 and p-value 0.0.169 which is statistically insignificant at all levels of significance. This result suggests that the presence of women as engagement partners of consumer goods firms does not lower the practice of earnings management. Table 4.4 also shows that firm size (FSIZ) has significant positive effect on the earnings management of listed consumer goods firms in Nigeria, from the coefficient of .019429 and a p-value 0.014 which is statistically significant at 5% level of significance. This result suggests that an increase in firm size increases the level of earnings management of firms. Furthermore, Table 4.4 indicates that firm leverage (LEV) has an insignificant positive effect on the earnings management of sampled consumer goods firms in Nigeria, from the coefficient of 0.009434 and p-value of 0.883 which is statistically insignificant at all levels of significance. This result suggests that the higher the level of debts in the capital structure of consumer goods firms, the lower the practice of earnings management.

CONCLUSION AND RECOMMENDATIONS

The overall results of this study suggest that there is a significant positive association between audit quality and earnings management. Particularly, the study reveals that audit firm size positively and significantly influences earnings management of consumer goods firm in Nigeria. From the result, the audit firm size can be a prediction of whether the company tends to perform earnings management. Thus, existence of Big4 audit firms will help mitigate the possibility of accrual manipulation and financial reports misstatements. A bigger audit firm provides higher-quality audits because larger audit firms have fewer incentives to compromise their standards to ensure retention of clients in comparison with smaller firms. Given this finding, the study has statistical evidence to conclude that audit firm size significantly influences earnings management in the area covered by the study. Also, the result from standardized regressions shows that audit fees have a positive significant effect on earnings management. The study, therefore, concludes that audit fees play an important function in limiting the level of earnings management. This is becausea higher level of audit fees is the major driver of enhanced audit quality, in turn is used to reduce managers' flexibility to use earnings management and to manipulate reported earnings. The study further avers that auditor tenure has negative insignificant effect on earnings management of consumer goods firms in Nigeria. Given this outcome, the study lacks statistical evidence to conclude that auditor tenure does play an important role in monitoring managerial opportunistic behaviour of listed consumer goods firms in Nigeria. There is an inverse relationship between auditor tenure and earnings management. This could be based on the assertion that longer audit firm tenure does not compromise auditor independence but in fact improves the audit quality. Again, a long tenure means in-depth knowledge of the client and hence creates a more valuable auditor-client relationship.

The study also resolved that auditor industry specialization has positive and significant effect on earnings management of consumer goods firms in Nigeria. Suggesting that industry specialist auditors are a necessary governance factor in reducing fraudulent financial report, this study, therefore, conclude based on the statistical evidence that AIS exerts significant influence on EM. This assertion is supported because industry specialist auditors have gained great training and experience concentrated in a specific industry and has more accurate non-error frequency knowledge than non-industry specialists. Furthermore, industry specialists' auditors can more effectively detect seeded errors in staff work papers during the audit review process. Finally, the result from standardized regressions shows that audit engagement partner gender diversity has a negative insignificant effect on earnings management. The study, therefore, lack statistical evidence to conclude that audit engagement partner gender diversity plays any important function in limiting the level of earnings management. This is because a higher proportion or inclusion of women in an audit engagement is a major driver of enhanced audit quality, and in turn is used to reduce managers' flexibility to use earnings management and to manipulate reported earnings. From the foregoing, the following recommendations are put forward;

i. Firstly, the study provided empirical evidence to support that larger audit firms possess better attributes to arrest the likelihood of earnings management. The expectation is that Big4 audit firms provides the necessary confidence to the stakeholders that financial reports are credible and reliable. The study therefore recommends that the choice of large audit firms should be highly considered if not made a priority while engaging audit firms.

ii. Secondly, the study provided statistical and empirical evidence to support that audit fees have significant influence on earnings management among listed consumer goods firms in Nigeria. Based on this, the study recommends that firms should pay higher fees commensurate with the type and magnitude of the audit assignment. This is because the possibility of more aggressive earnings management occurs predominantly among firms that pay less than expected for audit services. Although, audit regulations recommend that audit partners determine fees that would cover for all expenses that maybe incurred in conducting the audit while reserving a considerable amount as profit.

iii. Thirdly, the study findings revealed that that auditor tenure has insignificant negativeeffect on earnings management of listed consumer goods companies in Nigeria. Specifically, the study provides empirical evidence supporting that auditor tenure comes across as a highly significant component that has striking implications on likelihood of audit quality. Given this assertion, the study recommends that, in order to preserve independence, there should be a rotation of the audit engagement partner every five years, although the Nigerian Code of Corporate governance (2018) places such tenure at ten years.

iv. Further, industry specialist auditor possesses greater competence in applying industry-specific earnings recognition standards and has acquired a reputation for providing an audit of superior quality. It is expected that an industry specialist auditor will be better equipped to identify and rein in aggressive earnings manipulation. Hence, it is recommended that given the complex nature of consumer goods companies they should insist on hiring industry specialist auditors. Even, the "Code" stipulates that in order to ensure quality audit outcomes, the engagement partner and audit team should possess the knowledge, relevant skills and experience.

v. Finally, the study finding reveals that audit engagement partner gender diversity has insignificant effect on earnings management of listed consumer goods companies in Nigeria. Hence, literature underlines the importance of considering audit partner gender by policy makers, the study recommends that where audits are required there should be mix of female and male auditors.

References

Abdel-khalik A., (1993). Research opportunities in auditing: The second decade. *American Accounting Association*, Sarasota (FL).

Abu Ijela, I., & Hamdan, A. (2010). "Auditing quality effect on ban earnings management: Evidence from Jordan". *Arab Journal of Administrative Sciences, 17*(2), 277-319.

Adeyemi,S.B., Okpala,O.&Dabor,E. L.,(2012). Factorsaffectingauditqualityin Nigeria,*International Journalof BusinessandSocial Science,* 3(20),198-209.

Ahmadzade,Y.,Hassanzadeh,R.B.,Pooryegane,N.,&Ebrahimi,H.(2012).Thestudy ofaudit firmtenureandindustry specializationinfluenceonearningsmanagement(emphasizing on interim financial reports) evidenced from Iran. *Australian Journalof Basic and Applied Sciences*, 6(13),267-273.

Aliyu,M. D.,Musa,A. U.,&Zachariah,P.,(2015).Impactofauditquality onearnings managementoflisted Deposit MoneyBanks in Nigeria. *Journal of Accounting and FinanceManagement*, 1(4), 1-16.

AL-Khaddash, Nawas S. A & Ramadan, I.Z. (2013)**.** Does Ownership Structure Affect Jordanian Companies' Tendency to Practice Earnings Management? *Asian Journal of Finance & Accounting,* 7(2), 281-291.

Alzoubi, E. S. S. (2014). Board characteristics and financial reporting quality: evidence from Jordan. *Corporate Ownership and Control, 11*(3), 8-29.

Augustine, O.(2014). Audit Firm size and cash-based earnings management of listed companies in Nigeria. Eropean journal of Accounting, Auditing and finance Research, 2(5), 48-75.

Balaciu,D.,Bogdan,V.,&Vladu,A.B.(2009).Abriefreviewofcreativeaccounting literature anditsconsequencesinpractice.*AnnalesUniversitatisApulensisSeries economica,*11(1), 170 - 182.

Balsam,S.,Krishnan,J.,&Yang,J.S.(2003).Auditorindustry specializationandearnings quality.Auditing:*AJournalof Practice&Theory,*22(2),71–97.

Bamahros,H.M.,&Wan-Hussin,W.N.(2015). Non-auditservices,auditfirmtenureand earnings management in Malaysia. *Asian Academy of Management Journal of Accounting and Finance*,11(1), 145-168.

DeAngelo, L. E. (1981), "Auditor Size and Audit Quality", Journal of Accounting and Economics,3(3) 181- 199

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting earnings management. *The Accounting Review*, 70(2), 193–225.

DeFond,M.L.&Park,C.W.(2001).TheReversalofAbnormalAccrualsandtheMarket, Evidence from some going concern audit opinions, *Journal of Accounting Research, 40 (4), 1247-1275.*

Deis, D., & Giroux, G. (2002). "Determinants of audit quality in the public sector**".** *The Accounting Review, 67***(**3), 462-479.

Demers, E., & Wang, C., (2010) The impact of CEO career concerns on accruals based and REM Working paper INSEAD and Naval Postgraduate School.

Deumes, K., &Knechel, L., (2008). Economic incentives for voluntary reporting on internal Risk Management and control systems.

Duff, G., (2004). Stock returns and volatility: a firm-level analysis, *Journal of Financial Economics* 37, 399-420.

Dune, H. & Mayhew, J. I (2004). Costs of Equity and Earnings Attributes. *The Accounting Review,79*(4), 967-1010.

Dunn, K. A., & Mayhew. B. W., (2004), "Audit firm industry specialization and client disclosure quality", *Review of Accounting Studies*, 9(1), 35-58.

Dye, R. (1988). Earnings management in an overlapping generation's model. *Journal of Accounting Research*, *26(1)*, 195-235

Effiok, S., O., & Eton, O. E. (2013). Audit quality, earnings management and stakeholder's wealth: imperative for Nigerian corporation in recession period JORIND 14(2), 1596- 8303.

Eilifsen, K. & Messier J. G. (2000). Error detection by industry specialized teams during sequential audit review. *Journal of Accounting Research, (*40), 883-900.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14: 57-74.

Elmagrhi, M., (2019). The impact of multi-layer governance on bank risk disclosure in emerging markets: The case of Middle East and North Africa. *Accounting Forum*, *43*(2), 246-281.

Emeka-Nwokeji, N. A. &Osisioma, B. C., (2016). Corporate governance and firm value: Evidence from listed in Nigeria. *Finance and Accounting Research Monitor*, *Special* Edition, 227-241.

Molik, A. T., Mir, M., Mclver, R., &Bepari, M. K. (2013). Effects of audit quality on earnings Management during the global financial crisis: an empirical analysis of Australian companies. Proceedings of 9th Asian *Business Research Conference,* 20 – 21.

Moroney, R., &Carey, K., (2011). Evidence of assurance enhancing the quality of voluntary environmental disclosures: An empirical analysis. *Accounting and Finance, 52,* 903–939.

Morris, S., (2011), "Corporate transparency in China: Factors influencing financial disclosure levels". Working Paper, School of Accounting, University of New South Wales.

Mulford,C.W.,& Comiskey,E.E.(2002).Thefinancialnumbersgame:detectingcreative accounting practices.

Muogbo, O. Nneka, G. &Ikena, E. (2019). Effect of tenure of audit on earnings management of listed firm in Nigeria. *International journal of management and social science*, 1(7), 2321-1784.

Ndubuisi, A., &Ezechukwu, E., (2017). Determinants of audit quality: evidence from deposit money banks listed on Nigeria stock exchange. *International Journal of Academic Research in Accounting, Finance and Management Sciences* 7(2) 117–130.

Nekhili, M., Nagati, H., Chtioui, T., &Nekhili, A., (2018). Gender-Diverse Board and the Relevance of Voluntary CSR Reporting. *International Review of Financial Analysis*, *50*, 81–100. *Nigeria Journal of Business Administration*, 8 (1 & 2),67-78

Ntim, C. G. (2015). Board diversity and organizational valuation: unravelling the effects of ethnicity and gender. *Journal of Management & Governance*, *19*(1), 167-195.

Odia, J. (2015). Creative accounting and its implications for financial reporting in Nigeria, Okolie,A.O.(2014).Accrual-BasedEarningsManagement,CorporatePoliciesand ManagerialDecisionsof ListedCompaniesinNigeria.*ResearchJournalofFinanceand Accounting,*1–14.

Okolie,A.O.,Izedonmi,F.O.,&Enofe,A.O. (2013).AuditQualityandCash–BasedEarnings Managementof ListedCompaniesinNigeria.*ResearchJournalofFinanceand Accounting,*3–12.

Onaolapo, A., Ajulo, B., &Onifade, H., (2017). Effect of Audit fees on Audit Quality: Evidence from cement Manufacturing Companies in Nigeria. *European Journal of Accounting, Auditing and finance Research*. 5 (1), 6-17.

Owhoso, V. E., Messier, W. F. & Lynch, J. G. (2002). Error detection by industry specialized teams during sequential audit review. *Journal of Accounting Research, (*40), 883-900.

Paiva,I. C., &Lourenço,I. C., (2010). Determinantsof accountingquality: Empirical evidence from the EuropeanUnionafter IFRS adoption. *EmpiricalEvidencefrom the EuropeanUnion after IFRS Adoption*

Palmrose, Z.-V. (1988). The circumstances and legal consequences of non-GAAP reporting: Evidence from restatements. *Contemporary Accounting Research, 21*(1), 139–180.

Peni, E., &Vähämaa, S., (2012) Did good corporate governance improve bank performance during the financial crisis? *Journal of Finance Serv Res,* 41(1–2):19–35.

Piot, C. &Janin, R. (2005). External auditors, audit committees and earnings management in France. *European Accounting Review, 16*(2), 429–454.

Pouraghajan, A., Tabari, N.A.Y., Emamgholipour, M., &Mansourinia, E. (2013). The effect of audit quality on earnings management: evidence from Iran. *International Journal of Basic Sciences and Applied Research,* 2(4), 399-404.

Romanus, R. N., Maher, J. J., & Fleming, D. M. (2008). Auditor industry specialization, auditor changes, and accounting restatements**.** *Accounting Horizons***,** *22* (4), 389-413.

Roychowdhury, S., (2006). Earnings management through real activities manipulation. *Journal of Accounting and Economics*, 42(3), 335-370.

Rusmin, J. L.,(2010).Auditor independence,auditor specializationandearningsmanagement:furtherevidence from Singapore. *InternationalJournalAccounting, Auditing and Performance Evaluation, 3(2), 166–193.*

Schipper, K. (1989). Commentary on Earnings Management. *Accounting Horizons Text Book*, 99–102.

Solomon, A. Z., Oyerogba, E. O., &Olaleye, O. M., (2014). The effect of ownership concentration on firm value of listed companies. *IOSR Journal of Humanities and Social Science (IOSR JHSS),* 19, 90-96.

Spence, M. (1973), "Job Market Signaling", *The Quarterly Journal of Economics*, 87(3): 355- 374.

Srindhi, B., Gul, F.A., &Tsui, J. (2011). Female directors and earnings quality. *Contemporary Accounting Research, 28*(5), 1610-1644.

Stanley, K. S., &DeZoort, Z., (2007), "Financial Strategy: Planning and Managing the Corporate Leverage Position," *Strategic Management Journal* 8, 15-24.

Suharli, Michell&Nurlaelah. (2008). The concentration of the auditor and the audit fee determination: Investigation on SOEs. *Journal Akuntansidan Auditing Indonesia*.12. (2). 33- 148.

Sun, J., Liu, G., & Lan, G., (2013). Does female directorship on independent audit committees constrain earnings management? *Journal of Business Ethics*, *99*(3), 369-382.

Teoh, S. H., & Wong, T. J. (1993). Auditor size and earnings response coefficient. *The Accounting Review*, 68, 346-366.

Teshima, N., &Shuto, A. (2008). Managerial ownership and earnings management: Theory and empirical evidence from Japan. *Journal of International Financial Management & Accounting*, 19(2), 107–132.

Trueman, B.&Titman,S.,(1988).Informationqualityandthevaluationofnewissue. *Journal of AccountingandEconomic, 8*, June,159-172.

Tucker,J.W.,&Zarowin,P.A.(2006).Doesincomesmoothing improveearnings informativeness? *TheAccounting Review,*81(1),251-270.

Turley. S. &Willekens. M. (2008). Auditing, Trust and Governance: Regulation in Europe. *1st edition Oxon, England: Routledge.*

Tyokoso,G.M.,&Tsegba,I.N.(2015).Auditqualityandearningsmanagementoflistedoil marketingcompaniesinNigeria.*EuropeanJournalofBusinessandManagement*,7(29), 34 -42.

Wang, D. (2006). Founding family ownership and earnings quality. Journal of Accounting Research, 44(3), 619–656.

Warfield, T., Wild, J. & Wild, K. (1995). Managerial Ownership, Accounting Choices and Informativeness of Earnings. *Journal of Accounting and Economics*, 20, 61–91.

Watkins,A. L., Hillison, W.,&Morecroft, S. E.,(2004).Auditquality:asynthesis oftheoryand empiricalevidence.*Journalof Accounting Literature.23, 153-193.*

Watts,R.L.,&Zimmerman,J.L.(1978). towardsapositivetheoryofthedetermination of accountingstandards. *TheAccounting Review,* 52(1), 112 –134.

Zhou & Elder (2001). Audit quality and earnings management for Taiwan IPO firms. *Managerial Auditing Journal, 20*(1), 86–104.

Zhou, L., (2005). The joint determination of audit fees, non-audit fees, and abnormal accruals. *Review of Quantitative Finance and Accounting 22: 235 – 266.*

Zhuo, L., & Guan, X. (2014). The association of audit firm size and industry specialization on earnings management: evidence in China. *The Macrotheme Review*, 3(7), 1-21.