THE AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANAGEMENT IN POST IFRS NIGERIA

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THE AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANAGEMENT IN POST IFRS NIGERIA

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ABSTRACT

This study is designed to examine the impact of audit committee characteristics on earnings management in Nigerian listed companies after the adoption of International Financial Reporting Standards (IFRS). The study consider a total of 71 listed companies in Nigerian Stock Exchange, the period cover is 2012 to 2014. The data mainly obtained from secondary source, through the financial reports of the sample companies and DataStream. The multiple regression results indicated that audit committee independence, audit committee financial expertise and audit committee stock ownership were found to be negatively and significantly associated with earnings management. In contrast, audit committee size and audit committee activity are not associated with earnings management. The result also shows that firm performance is negatively and significantly correlated with earnings management, while leverage is found to be not significantly related with earnings management. However, firm size is positive and significantly related with earnings management. Finally, the results suggest that the policy makers in Nigeria shall make policies that will further strengthen the audit committee independence, and financial expertise since are found to be significant in preventing earnings management. The results also suggest that the companies should be encouraged to have outside directors with significant stock ownership, as this is also found to be important in preventing earnings.

Key words: Audit Committee, IFRS, Earnings Management

ABSTRAK

Kajian ini bertujuan untuk mengkaji kesan ciri-ciri jawatankuasa audit keatas pengurusan pendapatan dalam syarikat tersenarai di Nigeria selepas menerima pakai Piawaian Laporan Kewangan Antarabangsa (IFRS). Kajian ini mengambil kira sebanyak 71 syarikat yang tersenarai di Bursa Saham Nigeria, untuk tempoh masa 2012 sehingga 2014. Kebanyakan data diperolehi daripada sumber sekunder, iaitu melalui laporan kewangan syarikat-syarikat dan Datastream. Keputusan regresi berganda menunjukkan bahawa jawatankuasa audit bebas , jawatankuasa audit dengan kepakaran kewangan dan pemilikan saham jawatankuasa audit mempunyai kaitan yang negatif dan signifikan dengan pengurusan perolehan. Sebaliknya, saiz jawatankuasa audit dan aktiviti jawatankuasa audit tidak mempunyai kaitan dengan pengurusan perolehan .Hasil kajian juga menunjukkan bahawa prestasi firma adalah negatif dan signifikan dengan pengurusan perolehan, manakala leverage didapati tidak signifikan dengan pengurusan pendapatan. Namun, saiz firma menpungai habungan positif dan signifikan dengan pengurusan perolehan. Akhir sekali, keputusan mencadangkan pembuat dasar di Nigeria hendaklah membuat dasar-dasar yang akan mengukuhkan lagi jawatankuasa audit bebas dan kepakaran kewangan oleh kerana tidak signifikan dalam mencegah pengurusan pendapatan. Keputusan juga menunjukkan bahawa syarikat-syarikat perlu digalakkan untuk mempunyai pengarah dari luar dengan pemilikan saham, kerana ia juga didapati penting dalam mencegah pendapatan.

Kata kunci: Jawatankuasa Audit, IFRS, Pengurusan Pendapatan

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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Financial statement is the tool that is used to assess and analyze the firms' performance, all stakeholders rely heavily on the financial statement information in their value judgment, and hence, its free from any manipulation cannot be over emphasized. Managers use different methods to manipulate financial statement including earnings management.

For any financial statement to be useful, reliable and yield economic benefits, shall contain all relevant information that are cost-effective and timely to users as opined by Ho, Tower and Baraka (2008). Also best disclosure practice increased the performance of the company. According to Dembo and Rasaratnam (2014), examination of financial reports revealed that, company with best disclosure practice have excellent performance.

Despite the fact that financial report is the major tool relies upon by users of the financial information, but it becomes no longer reliable for right decision making. The investors' confidence on the reliability and credibility of the contents of the financial report has been deterred due to some tragic corporate scandals across the globe. The sudden happenings and bankruptcy of the world giants like Enron, WorldCom, Lehman Brothers and Xerox are some of the reasons that demoralized confidence of the investors (Fodio, Ibikunle, & Oba, 2013).

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