CORPORATE ATTRIBUTES AND FINANCIAL REPORTING QUALITY OF LISTED NON-FINANCIAL FIRMS IN NIGERIA

BY

SHIYANBOLA MARY IYANUOLUWA

MATRIC NO: 15020101015

BEING A PROJECT SUMMITED IN THE DEPARTMENT OF ACCOUNTING COLLEGE OF HUMANITIES, MANAGEMENT AND SOCIAL SCIENCES IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELLOR OF SCIENCE IN ACCOUNTING MOUNTAIN TOP UNIVERSITY IBAFO, OGUN STATE NIGERIA

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Certification

I certify that this work was carried out by SHIYANBOLA MARY IYANUOLWA at the Department of Accounting And Finance Mountain Top University, ogun state, under my supervisor.

Name	**Signature & Date**
Mr. TALEATU AKINWUMI **Project Supervisor**	______________________________
Dr. O.J. AKINYOMI **Head of Department**	______________________________

Dedication

This project is dedicated to Almighty God.

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First and foremost, I thank Almighty God, the sustainer of the universe and the ultimate source of all knowledge, for giving me good health for the successful completion of this work. To Him, I owe a lot of gratitude. And also to my parent that have been supporting me so far on everything (Mr. & Mrs. SHIYANBOLA). I am greatly indebted to my indefatigable supervisor Mr. Taleatu Akinwumi, for his genuine approach, valuable guidance and in depth understanding that he extended to me during the entire work of this paper and enabled me to complete this research papers.

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Abstract

This study investigated the impact of corporate attributes on financial reporting quality of listed, non-financial firms in Nigeria. The alarming rate of corporate scandal all over the world with no exception of Nigerian corporate environment is a concern for researchers to investigate the impact of corporate attribute on financial reporting quality listed firms in the country. Secondary data were collected from NSE factbook (2016) and corporate websites of the firms sampled for the study. Correlation and regression analyses were employed to test the hypotheses of the study. Findings revealed that firm size and profitability had positive significant effect on financial reporting quality of listed, non-financial firms in Nigeria. Further result from this study indicated that leverage and type of audit firm had no significant effect on financial reporting quality of listed, non-financial firms in Nigeria. Hence, the study concluded that only firm size and profitability had positive significant effect on financial reporting quality of listed, non-financial firms in Nigeria. The study recommended that the policy makers and regulators should intensify regulations and surveillances on listed, non-financial firms due to the empirical evidence that quality financial reporting is associated with corporate attributes.

Keywords: Financial Reporting Quality, Firm Size, Leverage, Profitability, Type of Audit Firm

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The main objective of financial reporting is to provide high-quality information on reporting entities, which can be used for economic decision making. Financial report quality is important, because it has significant influence on prospective capital providers' decision and other stakeholders when making investments, credit decisions, and allocating resources that may enhance overall capital market efficiency. Echobu, Okika and Mailafia (2017) underlined this by arguing that the need to generate a reliable financial report has become a global phenomenon and that the global financial crises of the 1930s and the recent financial crisis in 2008 necessitated the requirement for accurate financial reporting, with accounting figures not only error-free, but also a true reflection of the activities of an entity in the field of p. According to the Financial Accounting Standards Board Statement (1978), the value of high-quality financial reports, generally faced with technical disadvantages when determining and measuring the utility of the financial report's decision.

Biddle, Hillary and Verdi (2009) describe the reliability of financial reporting as the consistency with which financial reporting transmits data on the activities of the company, in particular its anticipated cash flows that inform equity holders. Their concept is consistent with the Financial Accounting Standards Board Statement of Financial Accounting Principles No. 1 (1978), which notes that one aim of financial reporting is to educate present and future investors in making rational investment decisions and in evaluating the anticipated company cash flows.

Studies have shown that the outcome of any measurement relies heavily on individual preferences and the perception of a myriad of constituents, which might be decision-context-specific in themselves (Daske & Gebhardt, 2006; Dechow, Ge, & Schrand, 2010; Gassen & Schwedler, 2010). Shehu and Farouk (2014) noted that corporate accounting earnings may be far from significant, accurate and efficient due to financial crises. On the veracity of the financial report, regulators and other investors put a very high premium. The report's truthfulness depends on the reported earnings ' accuracy.

Cong and Freedman (2011) argued that the corporate scandals of the last decade and the fall of large firms in recent years raised concerns about the performance of financial reporting, contributing to the introduction of Sarbanes–Oxley concentrating on the financial aspects of corporate governance. Requiring independent directors, expanded audit committee independence and the perception of greater accountability by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) were all aspects of this emphasis on corporate governance. DeFond and Lennox (2011) found that a large decrease in the number of small audit firms operating on the market is the passage of SOX tests. The reliability of financial reporting applies not only to financial information, but also to valuable reports and non-financial information for decision-making in the financial statement.

In a study on the quality of financial reporting, Shehu (2012) claimed that high-quality financial reporting could be accomplished by full disclosure and a higher level of transparency; and described corporate transparency as the widespread availability of appropriate and accurate performance-free information. Hence, the standard of financial reporting is to foster accountability and through detailed disclosure deliver high-quality annual reporting. As such, regulators and analysts of financial statements as well as auditors should ensure that information

on financial statements is true, fair and free of opportunistic and unethical judgments that destroy the quality of financial reporting.

Given the importance of quality financial reporting, the International Federation of Accountants (IFAC) and its audit arm, the International Auditing and Assurance Standards Board (IAASB), stated that audit services are an assurance service that the financial statements prepared by the managers are true and fair and free from intentional and unintentional errors and mistakes, and that they are in compliance with these requirements. Global financial sustainability, according to IAASB, is enabled by high-quality reporting, which can be accomplished by high-quality audits that can help foster trust in reporting quality. It also highlights the importance of audit performance in the supply chain of financial reporting and its significance to all stakeholders. Consequently, auditing a firm's accountants by the large four audit firms or by non-big four audit firms may have a significant influence on the entity's quality of financial reporting.

Furthermore, Shehu, (2012) avowed that there are several factors that have been linked to the preparation of false financial statements which may ranges from the demand for higher returns by investors on their investments, the desire to retain a giant corporate position in the eye of the business community or intermittent shifts in competitiveness, the craze to satisfy the greed of company's insiders. Nigerian corporate governance culture's persistent inability to be pro-active, effective, accountable and accountable to investors can be traced to the lack of adequacy of regulatory agencies that have left the issue of poor financial information under the mask of business ethics.

Corporate characteristics may play a significant role in describing the value of the corporate entity's financial reporting. Business characteristics can be considered reward variables that

cannot be separated from the business. Shehu, (2012) described them as variables that have an internal and external impact on the company's decision. Some of Shehu's (2012) defined incentive variables include, among others, ownership structures, company size, leverage, productivity, liquidity, and firm development. This study would examine the effect of company attributes on the financial reporting performance of listed non-financial firms in Nigeria, given the importance of reliability of financial reports to shareholders.

1.2 Statement of the Problem

Financial reports are supposed to provide relevant information to the external parties of an organization. It is thus important that financial reports provide truthful and accurate financial information to enable shareholders and other interested parties to make decision wisely. Lack of accuracy in financial reporting will lead shareholders and prospective investors to make wrong judgement about the organization.

Incidentally, the heavy reliance placed on accounting information has provided an incentive for managers to manipulate annual financial report to their own advantage, which has often led to the eventual collapse of firms of various sizes and even called to questions the integrity of auditors (Bello, 2010). The corporate attributes (such as firms' assets, firm age, firm profitability, and firm debt) had been explored to investigate financial reporting quality of listed firms in Nigeria with contradictory outcomes. It is against this background that the present study intends to investigate corporate attributes and financial reporting quality of listed non-financial firm in Nigeria.

1.3 Research Questions

It is in view of the problems stated above the following research questions are to be answered:

i. How does firm size impact on financial reporting quality of listed, non-financial firms in Nigeria?

ii. To what extent does leverage impact on financial reporting quality of listed, non-financial firms in Nigeria?

iii. To what extent does audit firm influence financial reporting quality of listed, non-financial firms Nigeria?

iv. What significant relationship exists between profitability and financial reporting quality of listed, non-financial firms in Nigeria?

1.4 Objectives of the Study

The main objective of the study is to investigate the degree to which corporate attributes determine the financial reporting quality of listed, non-financial firms in Nigeria. Specifically, the study will:

i. Evaluate the impact of firm size on financial reporting quality of listed non-financial firms in Nigeria;

ii. Investigate the impact of leverage on the financial reporting quality of listed non-financial firms in Nigeria;

iii. Examine the influence of profitability on financial reporting quality of listed non-financial firms in Nigeria

iv. Ascertain the relationship between type of audit firm and financial reporting quality of non-listed financial firms in Nigeria.

1.5 Hypothesis

In view of the above objectives, the following null hypotheses have been formulated for the study:

(1) **Ho**: Firm size has no significant impact on financial reporting quality of listed, non-financial firms in Nigeria.

(2) **Ho**: Leverage has no significant effect on the financial reporting quality of listed, non-financial firms in Nigeria.

(3) **Ho**: Profitability size has no significant influence on financial reporting quality of listed, non-financial reporting quality in Nigeria.

(4) **Ho:** Type of audit firm has no significant relationship with financial reporting quality of listed, non-financial firms in Nigeria.

1.6 Scope of the Study

This study focuses on corporate attributes and the quality of financial reporting, within the context of listed non-financial firms in Nigeria. The study covers the period of 2016 annual financial reports of non-financial firms in Nigeria. The study uses secondary data obtainable from annual reports of selected firms. The four corporate attributes to be examined are profitability, leverage, firm sizes and audit firm.

1.7 Significance of the Study

Financial reports of any organization play a core role in influencing decisions of shareholders and prospective investors. It has been suggested by previous researchers that research outcomes in developed economy cannot be generalized. Developing economies have their unique economic and other impact factors. Hence, this study is significant to a wide range of

stakeholders including investors, top management, regulatory bodies, researchers, and auditors particularly in the field of accounting. This research seeks to make theoretical and practical contributions to the field of accounting in the area of corporate financial reporting quality. Researchers in this field would benefit from the study because the outcome of the outcome of the study may serve as a bench mark for future research.

1.8 Operational Definition of Terms

Audit Firms refer to whether the company is being audited by one of the big four audit firm or not.

Corporate Attributes are company characteristics that can influence financial reporting quality. They include profitability, leverage, firm size and type of audit firm.

Financial Reporting Quality refers to relevance of financial statements as measured by Nice (2009) which was adopted for this study.

Firm Size: It is the logarithm of the total assets of the firm.

Leverage: It refers to the ratio of debt and equity of the firm.

Profitability: It is described as return on assets.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this section of the study, studied variables are reviewed conceptually, theoretically and empirically. First, corporate attributes, profitability, leverage, firm size and audit firm were conceptualized followed by theoretical review by reviewing agency theory, positive accounting theory and signaling theory while empirical review of relevant studies, together with gaps in the literature, formed the last section of the chapter.

2.1 Conceptual Review

Corporate attributes, profitability, leverage, firm size and audit firm were conceptualized in this study. Each of these concepts are described in the following sub-sections.

2.1.1 Financial Reporting Quality

Financial reporting involves recording financial information according to relevant accounting standards. According to (Vargiya, 2015) Financial Reporting includes exposing financially related information about an organization to the various stakeholders over a predefined timeframe. These stakeholders include–investors, lenders, suppliers, and organizations of government. Financial reporting is generally considered to be the final accounting result. This includes various relevant statements including-financial explanations from the financial statements, Statement of Comprehensive Revenue, Statement of Cash Flow, Statement of Capital Changes, References to Financial Explanations, Quarterly and Annual Reports (if cited entities may occur),

2.1.1.1 Goals and Objectives of Financial Reporting

According to the International Accounting Standard Board (IASB), the purpose of financial-related reporting is to provide data on the financial position, results and adjustments in an undertaking's financial position that is useful to a wide range of accounting information users. The reasons for financial reporting include providing information to the management of a company used for the purpose of preparing, updating, benchmarking and basic leadership, providing information to investors, sponsors, duty suppliers and leasers to enable them to make sound and reasonable business choices, Loans and so on, transmitting information to investors on the essence of the organization's operations, providing information on the organization's financial assets, incidents on those assets (liabilities and the interest of the owners) and how those assets and events have changed over time, providing information on how the company secures and uses them. Providing information to various stakeholders on an organization's management results as to how diligently and legally they release their fiduciary duties and obligations. This involves supplying the statutory reviewers with data, thus promoting review. It also strengthens social welfare through research into workers ' passion, trade union, and government.

2.1.1.2 Importance of Financial Reporting

As suggested by (Vargiya, 2015), it is not possible to overemphasize the importance of financial reporting. For numerous reasons and purposes, it is needed by each last partner. The following focus highlights why the system of financial communication is essential because it causes an organization to conform to various statues and administrative needs. Organizations are required to record financial proclamations related to government agencies. In case of quoted organisations, quarterly and also annual reports are expected to be reported and circulated to stock trades, promotes statutory scrutiny-statutory inspectors are often required to review an

organization's financial proclamations to make their evaluation. Financial reports also form financial planning, analysis, and key leadership. Financial reporting also allows companies both domestically and overseas to raise capital. On the financial assumption, general society as a whole can impact the organization's quality and its management if the financial statement does not contain information about them.

Financial analysts and market agents from Stock Exchange first presented the concept of company reporting value. We concluded that the profits published do not reflect the competitiveness of the companies as they are concerned. Analyzing the financial statements of companies is therefore a difficult task due to the fraud tendencies associated with accounting data, particularly earnings. Accordingly, if the risk of errors and mistakes is low or absent, accounting earnings as a major factor that transmits signals to the capital market are considered high quality (Ewert and Wagenhoper, 2010). Based on this statement, the financial reporting performance of companies is measured in terms of earnings efficiency, which is also synonymous with value of accruals; that is, earnings with less accruals and high components of cash flow. According to the Financial Accounting Standards Board (FASB), the International Accounting Standards Board (IASB), the United Kingdom Accounting Standard Board (ASB)[UK] and the Australia Accounting Standard Board (AASB), the standard of financial reporting is a financial statement that offers accurate and fair data on the financial position and economic performance underlying it.

According to IASB, the essential principle of evaluating the quality of financial reporting is related to the loyalty of the goals and the quality of the disclosed information in the financial reports of a company. Such qualitative attributes improve the facilitation of determining the value of financial reports, which will also result in a high quality rate. Financial reports must be

accurately portrayed, equivalent, verifiable, accurate and comprehensible to achieve this level. Therefore, the focus is on accurate financial reporting and not deceptive financial reporting to users; not to mention the value of reliability and predictability as measures of high quality financial reporting (Gajevszky, 2015).

The reliability of financial reporting is the result of an accounting system which incorporates a non-observable framework that necessarily includes assumptions and decisions and therefore has the capacity for unintended mistakes and deliberate prejudices such as earnings management (Ewert & Wagenhoper, 2010). They further explain that one of the most important features of accounting systems is the quality of earnings. High quality in this regard, as investors and other users should be interested in high-quality financial accounting data, is said to increase capital market output. Therefore, standard setters strive to develop accounting standards that improve the quality of earnings, and many recent changes in auditing, corporate governance, and enforcement have a similar objective (Dechow, Ge & Schrand, 2010).

The concept of firm reporting quality takes into account two qualitative characteristics that include profitability in decision-making and the relationship between the quality of firm reporting and economic profit. In other words, the quality of earnings is an honest expression of the profit reported. That is, a high firm reporting quality shows the utility of users ' money-making data and is also more balanced to economic profit (Ahmad & Ahmadi, 2008). In their opinion, the general understanding of the real profit term by the shareholders is the profit arising from the typical output that can be replicated in the years to come and that can generate cash flows. Investors regard net profit accounting as the best metric to assess a business unit's productivity.

According to (Esmaeli, 2002) perceptions of estimated earnings by financial analysts are usually different from actual profit; the reason for this discrepancy is that managers manipulate earnings. Financial analysts are trying to evaluate the possibility of gain from the companies. Benefit perspective refers to the composition of the desirable and unwanted net profit features. Relative to other businesses, companies with recurring earnings have a lower accounting value in the income statement. Analysts can thus predict the future performance of the business with greater assurance capacity (Esmaeli, 2007). With regard to the emphasis placed on its utility by those who develop financial accounting principles, it is presumed that the overall quality of financial reporting is regarded primarily by those who use it for purposes of trade and decision making. In addition, norm determinants implicitly regard earnings quality as a criterion for determining the performance of financial reporting requirements (Rahimian & Jaafari, 2006).

2.1.2 Determinants of Financial Reporting Quality

There are a number of factors that influence the standard of financial reporting used in previous studies which analyzed the factors affecting the quality of financial reporting. The company's monitoring process is one of the most arguable factors; Fama and Jensen (1983) concluded that a company's reputation and integrity in financial reporting relies on the reliability of the company's own monitoring system. This prompted researchers to investigate the impact on the performance of financial reporting of several oversight systems such as board of directors, audit committees, internal audit and external audit.

Beasley (1996) and Fama and Jensen (1983) argued that the highest internal control and monitoring system is the board of directors, since the board of directors derives its authority for internal control and other decisions from corporate stockholders. Critics have argued on the basis of this argument that the board of directors impacts the quality of financial reporting. We

proposed that the board of directors should be adequately organized by considering its autonomy and optimal number of members in order to perform efficiently as a control mechanism.

Experts have generally argued that the autonomy of the board of directors has an effect on the quality of financial reporting, which is to ensure that the board does not collude with top management and thus improve its ability to monitor top management (Fama & Jensen, 1983). Thus, prior research has examined whether board independence has an effect on the quality of financial reporting through the use of several variables. One of the most contentious considerations is the presence on the board of independent directors. This is based on the argument that there are opportunities from outside directors to carry out their monitoring activities rather than colluding with top management (Fama & Jensen 1983). Studies by Davidson, Goodwin and Kent (2005) and Klein (2002b) had found support for this claim by showing a significant negative correlation between the board consisting of a majority of non-executive directors and accruals in their analyses.

Nevertheless, with the establishment of an audit committee discharged with the duty for overseeing the financial reporting on behalf of the board of directors, researchers have been led to investigate the impact of the audit committee on the performance of financial reporting (Beasley, 1996; McMullen, 1996). Nevertheless, the conclusions of the audit committee and the performance of financial reporting are inconsistent (Beasley, 1996; McMullen, 1996). The disparity may be due to differences between different companies in the level of effectiveness of the audit committees. Recent studies have therefore concluded that an audit committee's characteristics have a greater influence on the audit committee's efficacy in controlling the financial reporting system itself (Abbott et al, 2004; Song & Windram, 2000).

Moreover, researchers have also argued that the quality of an external auditor is an important factor effecting financial reporting quality, whereby a high quality external auditor is expected to have an influence on the quality of financial reporting. Given the existence of information asymmetries and the potential conflicts of interest between company management and outside users of financial information, an audit of financial reports by third party can enhance the quality of the financial information reported by management because a high quality auditor is more likely to detect questionable accounting practices and to a certain extent may compel management to follow accounting practices as prescribed by the accounting standards (Rahman & Ali, 2006). However, prior studies have failed to prove this contention. By using a proxy of brand name auditor as provider of higher quality audit, Davidson, *et al* (2005) did not find any significant relationship with the level of discretionary accruals and Alsaeed (2006) did not find any significant relationship with the level of voluntary disclosures.

In addition to control systems, scholars have speculated about the impact on the performance of financial reporting of the characteristics of other companies. Among the variables of business characteristics that previous researchers have widely discussed are firm capital, firm age, firm productivity, and firm debt. The firm asset (size) is one of the most arguable firm characteristics that affects the quality of financial reporting. Since large firms are more vulnerable to public scrutiny (Alsaeed, 2006) and more complex than smaller firms (Craig & Diga, 1998), they need to provide better financial reporting performance. In addition, large companies also have more resources and can select respected external auditors and recruit credible non-executive directors (Song & Windram, 2000), which could help them improve the performance of financial reporting and at the same time have sufficient resources to collect, evaluate and present extensive data at minimal cost (Alsaeed, 2006). Data from previous studies found that the size of corporate

assets was positively related to the amount of declarations (Alsaeed, 2006; Craig & Diga, 1998) and negatively related to budgetary accruals (Abbott, et al, 2004; Davidson, et al, 2005; Rahman & Ali, 2006; Yang & Krishnan, 2005).

On the other hand, changes in asset rate were also argued to negatively affect the quality of financial reporting. Abbott et al (2000) concluded that the rise in firm capital causes financial controls to be ineffective and generates opportunities for management to conceal downturns, thus increasing the likelihood of financial mistakes. Abbott et al (2000) found evidence in their analysis that asset growth is a positive relationship with companies that have been disciplined for fraudulent reporting. Beasley (1996), however, failed to find any significant relationship with financial account fraud, and another Abbott et al. (2004) analysis also failed to demonstrate any significant relationship with financial account restatement.

In contrast, the competitiveness of a corporation was also claimed to affect the performance of financial reporting. Alsaeed (2006) argued that a successful company may be proud of its accomplishments and would therefore like to reveal more information to the public in order to foster positive performance impressions. Although a study by Haniffa and Cooke (2002) found a significant positive relationship with voluntary disclosure among return on equity (ROE), on the other hand, a study by Alsaeed (2006) found negligible relationships. In addition, the rate of income was also argued to affect accounting accrual manipulation as managers can manipulate profits to maximize their bonus rewards (Yang & Krishnan, 2005). Yang and Krishnan (2005), however, and Rahman and Ali (2006) found no significant association between the net income rate and budgetary accruals. This inconsistency and insignificance in the results is likely due to the use of current profitability, rather than profits changes. Hence, Klein's (2002b) and Davidson et al's (2005) studies have concluded that shifts in income affect accounting accrual

manipulation. All studies found evidence for this claim by showing a significant positive correlation between improvements in net income and accruals of financial accounts in their studies.

2.1.3 Concept of Corporate Attributes

Singhvi (1968) first studied corporate qualities or company characteristics. Company characteristics have since been considered an important variable that can also affect certain business activities. Several studies in accounting analysis around the world have been done on company attributes. For eg, Singhvi (1968) studied corporate size, profitability, number of shareholders, form of management as corporate attributes; Singhvi and Desai (1971) studied corporate size, listing status, profitability, audit firm, number of shareholders; Buzby (1975) studied corporate size and listing status; Firth (1979) studied corporate size, listing status and audit firm; McNally et al. (1982) studied software status; Cooke (1992) studied corporate size, listing status, and industry; Cooke (1993) listing status; Malone et al. (1993) studied corporate size, listing status, productivity, leverage, audit, number of shareholders; Wallace et al. (1994) studied corporate size, profitability, listing status, business, liquidity, audit and gearing; Meek et al. (1995) studied corporate size, profitability, nation and gearing; Wallace and Naser (1995) studied corporate size, profitability, company reach, audit firm, market capitalization, revenue, liquidity, earnings return, internal ownership, international registered office and gearing; Inchausti (1997) studied corporate size, stock exchange, industry, profitability, leverage, audit and dividends; Adams and Hossain (1998) studied corporate size, stock exchange, industry, pr The current organizational characteristics are analyzed in relation to the performance of financial reporting as efficiency, liquidity, company size and audit firm.

Accounting researchers have investigated relationships between corporate characteristics and corporate annual financial reports since 1960s. Hasan (2016) argues that every company has its own vision, mission, goals, objectives, structure, features, strengths, weaknesses, opportunities, threats, work plans, and strategies, which distinguish it from other companies. The characteristics of each sample company are clearly different with regard to their size, nature of business, capital structure, management style, board independence, composition of board, quality of independent directors, corporate governance, ownership structure, business strategies, auditors quality, customers, access to financial services, leadership quality, innovation policy, entrepreneurship orientation, ethical culture, corporate social responsibility, corporate culture, ecological guidelines, market reputation, market capitalization, profitability and the like. The patience, experience, credentials, integrity, neutrality, professionalism and demographic information of auditors and accountants of these organizations are different, and they do not even all have the same accounting period. This divergence of corporate attributes may influence corporate financial reporting quality (Hasan, 2016).

2.1.4 Concept of Profitability

The word profitability is comprised of two particular words which are, ""Profit"" and "Ability". Profit has different definitions in view of its use and reason; it is frequently a critical fact to consider in most financial related articulation. While the term Ability, demonstrates the energy of the business worry to produce profit. Profitability can likewise be referred to as Earning power" or working performance of the business which add up to Investment (Verma, 1988). According to Adetoso and Akinselure (2016) profit is characterized as the capacity an Investment has, to acquire a sizable income from its consistent use in business. This suggests that profit is a composite idea relating to the effectiveness of the organization to earn profit.

Furthermore, Adetoso and Akinselure (2016) argued that profitability measures the capacity of the firm to persistently create income, while Franks and Broyles(1979) uncovered that the normal return, for the most part alluded to as profit, realize from the capital market, can likewise be considered as the opportunity cost. Business organisations can without much of a stretch utilize their reserve in the capital market, along these lines, the market, fills in as a kind of perspective indicator which measure profitability. Form another viewpoint, a beneficial Investment venture can be characterized as one which returns is adequate to draw in an enormous capital from the capital market (Frank & Broyles, 1979) as cited by Adetoso & Akinselure (2016). In the word of Barasara (2014) as cited by Eniola, & Akinselure (2016) Profitability is a relative measure, which shows the most beneficial option, though Profit is a flat out measure, which demonstrates the general measure of income that can be created from a transaction. In business organisations, it is critical to note that high profit does not generally demonstrate a sound hierarchical productivity and low profitability ought not to be considered as organisation affliction. Profit making is the fundamental rationale of most organisations; in fact, it is the essential persuading power for most financial exercises. Most organisations, as a rule build up a solid methodology to guarantee profit is earned on a consistent basis. Business worries that are not ready to create adequate profit as a rule have conflict with the suppliers of capital and this makes their consistent presence a major test. Profit is required to re-pay suppliers of capital as well as to back development and extension of an organisation. Organisations that think that it is hard to make profit regularly end – up disintegrating the underlying capital contributed and which thus, prompts the conclusion of such organizations. It is additionally a measure of the surplus riches created by the business worries from its general exercises more often than not on occasional premise. Most circumstances, it includes contrasting the consequence of the business

between two particular dates, typically isolated by a time of one year (Barasara, 2014) as cited by Adetoso and Akinselure (2016) As indicated by Weston and Brigham (1978) as cited by Adetoso and Akinselure (2016), profit can be deciphered in different ways. They proposed that, in financial related administration, profit is viewed as a trial of the proficiency and a measure of control; to the proprietors, it is depicted as the measure of the value of the whole business; to the Creditor, it is viewed as the Margin of wellbeing; to the representatives, it is viewed as a wellspring of incidental advantages, while to the administration, it is portrayed as a measure of assessable limit which fills in as reason for Legislative Decision. At long last, they inferred that to the nation, profit, is viewed as list of financial advance, national development, and sensible exclusive requirement of living. The survival of any business depends for the most part on its purchasing power. In this manner, any disappointment of the organisation to make profit will prompt disintegration of the capital, this is the reason, profits are portrayed by numerous as the spirit of business, in fact without it, a business will be said to be inert. The bigger the profit, the more productive and gainful the business is considered to be.

2.1.4.1 Leverage

Leverage refers to the debt financing percentage in a company's capital structure. It is often referred to as gear ratio (Okwoli, 2009). It is calculated by the debt-to-fixed ratio of long-term capital. Waweru and Riro (2013) conclude that companies with high leverage are more likely to engage in earnings management than firms with low leverage. Shehu (2013) and Shehu and Ahmad (2013) also claim that the degree of leverage and rate of earnings management are significantly related. The debt contract theory attempts to explain the management conduct which chooses to use different accounting practices to accomplish such goals to make borrowers have a particular view of the business. The idea we pass on to investors in most situations is that

the company is doing well and that the company's lenders ' assets are secured. Therefore, accounting practices are likely to be used to transfer future earnings to the current period. Extended research has indicated an important relationship between the power of the company and the performance of financial reporting. The Positive Accounting Theory debt agreement theory also underpins this fact. Waweru and Riro (2013), when analyzing earnings management and firm characteristics using 37 listed firms in Kenya for a five-year period from 2006 to 2010 and using accrual accounting approach to assess earnings management, find that the financial reporting performance of firms that are not highly focused has not been compromised. Consequently, they concluded that investors could focus more on firms with lower debt-to-equity ratio financial reports. Using the revised Dechow and Dichev's (2002) model, Shehu (2013) finds a significant relationship between the degree of leverage and the level of financial reporting performance on 32 listed manufacturing firms in Nigeria using multiple regression techniques. Shehu and Ahmad (2013) also used 24 listed manufacturing firms and adopted correlational research design to study firm characteristics and financial reporting performance in Nigeria. Their test of regression indicates that the leverage has a significant effect on earnings value at a rate of 5 percent. Valipour and Moradbeygi (2011) also analyzed the relationship between corporate debt financing and earnings performance collection of data from 81 companies listed on the Tehran Stock Exchange (TSE) between 2005 and 2009 and recorded a significant negative correlation between debt and earnings value using multiple regression analysis. Nevertheless, there was no significant positive correlation between leverage and financial reporting performance in the study of (Wallace, Naser & Mora, 1994; Owusu-Ansah, 1998; Nedal, Bana, & David, 2010).

2.1.4.2 Firm Size

The company's size is a factor affecting the quality of financial reporting (Dechow & Ge, 2006). In most situations, the business size is determined by the company's asset value (Saheed, 2013). A large company is expected to have a well-structured accounting and internal control department and should be able to provide the expertise of experts expected to improve the system of financial reporting (Chalaki, Didar & Riahnezhad, 2012). We are also likely to have a well-built network of data that helps them to monitor both financial and non-financial information for organizational, tactical and strategic purposes (Saheed, 2013). This is because the credibility of the financial report will be protected by a well-organized accounting and internal control unit. Internal control techniques are intended to detect and/or avoid both earnings abuse and failures or defects (Dechow & Ge, 2006).

Therefore, they should be able to engage the services of one of the major auditing firms to audit their financial statement, which is expected to improve the performance of financial reporting (Thoopsamut & Jaikengkit, 2009), because the large audit firms are required to be very competent in their audit efforts and to be concerned about their credibility. Waweru and Riro (2013) investigated the impact of corporate governance and firm unique characteristics on the size of the company will also affect the characteristics of corporate governance and the level of income control (Becker, DeFoond, Jiambalvo & Subramanyam, 1998). In fact, Shehu and Ahmad (2013) claim that large firms have very good grounds for manipulating their earnings to maintain a consistent pattern in earnings growth and reach and beat expectations of earnings.

However, contrary to the findings of Shehu and Ahmad (2013), Missonier-Piera (2004) and Thoopsamut and Jaikengkit (2009) argue that the size of the business is not significantly linked to the performance of financial reporting. In an emerging economy, their work was not carried

out. Therefore, the explanation for this divergent result could be the level of economic growth in which the studies were performed. If firm size is likely to affect the characteristics of corporate governance as described by (Becker et al., 1998), it is also likely to affect the level of financial reporting performance The company's age is a major determinant of the extent of the internal control of a company, while strong internal control is correlated with the quality of financial reporting (Huang, Rose-Green & Lee, 2012). A firm's internal control process is assumed to be more organized as years go by and a well-structured internal control must, of course, ensure the integrity of the financial report (Huang, Rose-Green & Lee, 2012). In contrast, businesses are more likely to improve their governance with the passage of time and are more likely to be exposed to political risk. This is because government may not pay attention to new companies, while firms that have been around for a while are on government agencies ' radars. Their media habits are likely to impact these factors (Chalaki, Didar & Riahnezhad, 2012).

2.1.4.3 Audit Firms

Auditors are intermediaries between the management of a firm and external parties having interests in the firm (Porter, Simon & Hatherley, 1996). According to them, auditors have a duty to form and express an opinion as to whether or not the financial statements prepared by the management show a true and fair view of the entity's financial position and performance. Hence, their concept of audit is assurance engagement that involved objective process of obtaining and evaluating evidence with regard financial statements, in order to form an opinion that published financial statements are free from material misstatements and intentional errors, and are in accordance with relevant laws, standards and legislations.

Existing literature on auditing hypothesize that auditors are a determinant of earnings quality or financial reporting quality, because of their role in mitigating intentional and unintentional

misstatements (Dechow, et al., 2010). The ability of an auditor to mitigate misstatements is a function of the auditor’s attributes and ability both to detect a material misstatement and to adjust for or report it (DeAngelo, 1981). Research such as Dang (2004) predicts that the ability of an auditor to detect errors is a function of auditor attributes (effort and effectiveness) and that the incentives of an auditor to report or correct errors depend on factors such as risk of litigation, cost of reputation, and independence of auditors (DeAngelo, 1981). Nonetheless, DeAngelo (1981) describes audit performance as the market-assessed combined likelihood that a given auditor will both discover an infringement in an accounting system and document the infringement; therefore, audit quality is defined by the auditor's ability to detect material misstatements (auditor competence) and the auditor's willingness to report material misstatements discovered (auditor independence). Hours spent auditing (Caramanis & Lennox, 2008) and auditor industry experience (Krishnan, 2003) are the most clear quantitative indicators of commitment and efficacy, and both are negatively correlated with budgetary accruals. This is composed of autonomy from the auditor, audit reimbursement, form of auditor and joint audit (DeAngelo, 1981; Krishnan, 2003; Dechow, et al., 2010).

According to the Dictionary of International Accounting Terms (2001), auditor independence infers a state of impartiality provided by auditors who should not have any personal or financial connection with a company. Louwers, Ramsay, Sinason, and Strawser (2007) described independence as a mental attitude and physical appearance that portrays the auditor in judgment and decision as uninfluenced by others. This can be maintained by avoiding financial connections which make it appear that the auditor's wealth depends on the outcome of the interactions between audit and management which make the auditor look as if he were involved in management decisions. Gray and Manson (2000) and Hayes, Rachel and Lundholm (2005)

identified independence as a key ingredient of audit quality as a role required to take an unbiased view of audit test performance, results review and attestation in the audit report. Whittington and Pany (2004) concluded that the independence of the auditor is subjective and not absolute given all the interpretations and examples of the independence of the auditor.

According to Teoh and Wong (1993), the autonomy of auditors requires programming independence, independence of inquiries, and independence reporting. The monitoring autonomy of these three elements is most likely to be influenced by a client company's managers. Auditor autonomy is seen as a means rather than an end in itself, McGrath, Siegel, Dunfee, Glazer and Jaenicke, (2001). Smith (2003) therefore assumed that the primary responsibility for ensuring autonomy and objectivity rests with the auditor.

The relationship between organizational characteristics and the quality of financial reporting has been studied by enormous researchers. Ali (2004) studied size, financial leverage, multi-nationality, external auditor size and profitability; Prencipe (2004) studied segment correspondence, growth rate, listing status, age, dilution of ownership, profitability, size and leverage; Akhtaruddin (2005) studied size, age, form of industry and profitability; Iatridis (2006) studied size, growth, profitability, liquidity; Daske and Gebhardt (2006) studied market capitalization log, asset log, average number of analysts, total market capitalization debt, total asset value and asset returns; Barako (2007) studied board composition, management structure, board size, audit committee, concentration of investors, foreign ownership, institutional ownership, company size, external audit firm, leverage, Aminah (2012) studied gender diversity, audit committee composition, corporate culture, financial distress, size of the company, profitability, age of the company, ownership structure, multi-nationality, leverage, form of

business, volatility, board size and board meetings; and Hasan et al. (2013) studied asset volume, profitability, investors, year of listing, multiple listing, ownership structure, internship.

2.2 Theoretical Review

2.2.1 Agency Theory

On A growing number of writers over the last quarter of a century have acknowledged that an organization's actions have an effect on the external environment and have therefore proposed that such an organization should be accountable to a broader audience than just its investors. Such a proposal likely first appeared in the 1970s and some authors, as a member of society at large, took a concern with a wider view of company performance. Ackerman (1975) expressed this concern, suggesting that big business understood the need to adjust to a new social environment of group responsibility, but that company commitment to financial results hindered social responsiveness. On the other hand, McDonald and Puxty (1979) suggest that corporations are no longer the instruments of investors alone, but operate within society and thus have obligations towards that society and that there is therefore a move towards greater accountability for all members by companies.

Consequently, recognition of all shareholders ' interests and a company's responsibility to be responsible in this broader context has been primarily a relatively recent phenomenon. Nevertheless, the economic view of owner-only responsibility has only recently been the focus of considerable debate. Implicit in this concern about the impact of an organization's actions on its external environment is the awareness that it is not only the organization's owners who are concerned about the organization's activities. In fact, there is a wide variety of other investors who are justifiably concerned with these practices and are impacted by them. These other investors have an interest not only in the company's operations, but also a degree of control in

influencing those activities. This role is so significant that it can be argued that these shareholders ' power and influence is such that it contributes to the organization's quasi-ownership. Nonetheless, Gray, Owen and Maunders (1987) criticize the traditional role of accounting in reporting results and recognize the need for a stakeholder approach, acknowledging the diverse stakeholder culture, rather than an ownership approach to accountability. However, the desirability of considering a company's social performance was not always accepted and was the subject of extensive discussion.

While Hetherington (1973) claimed that there is no reason to believe that investors are willing to tolerate an amount of non-profit corporate operation which significantly reduces either dividends or stock market results, whereas Dahl (1972) stated that any large corporation should be regarded as a social enterprise; that it is an organization whose presence and actions can be justified insofar as a corporation is concerned.

A growing concern for corporate governance has been one of the results of a concern with an organization's actions and the consequences of those acts. Corporate governance is the world's current buzzword. In the recent past, especially in the second half of the 1990s, it has gained tremendous importance. Two of the main reasons for this upsurge are economic liberalization and industrial and sector reform and, secondly, demand for new corporate culture and more rigorous compliance with land rule. Another factor that was responsible for the corporate sector's sudden exposure to a new corporate governance paradigm that is in line with the changing times in demand for greater corporate accountability to its shareholders and customers.

Over the past several decades, industrialization and technological revolution have changed the nature of family-owned businesses held by a large group of widely dispersed investors and

controlled by managers who are unable to hold any stake in the business; unless the board of directors is successful and diligent, managers are unable to demonstrate the requisite commitment to shareholding. There are other investors, as well as shareholders, such as lenders, workers, consumers, distributors and culture, whose destinies are interwoven with business companies. Corporate governance allows for a collection of systems and processes that ensure the best interests of all investors and stakeholders are handled by a corporation. Corporate governance is like a trustee in its broader sense. It's not just about having checks and balances, it's about creating an over-performing company that leads to increased customer satisfaction and value for shareholders. The goals of long-term shareholder value, corporate democracy, accountability in activities and accounting, and globally accepted performance standards remain illusory in the absence of active corporate governance.

Agency Theory Because managers have both the ability to commit the company to whatever agreements and transactions they think are acceptable and a duty to the business owners, it was necessary to ensure that this commitment took place. It is generally accepted that the philosophy of the organization provides a platform to ensure it. The philosophy of the company suggests that an organization's management is conducted on behalf of its members, that is, the investors. Consequently, the organization's quality management is only important to the degree that that interest accrues to the firm's investors. Implicit in this view of the company's management, as endorsed by Rappaport (1986) and Stewart (1991) among many others, is that society as a whole, and therefore all other participants in the organization, will also benefit from controlling the organization's performance in this way. Therefore, from this viewpoint, the questions are based on how to handle the shareholders ' success and how to report on it (Myners, 1998). This view of an organization has however been extensively challenged by many writers, who argue that the

way to maximize performance for society at large is to both manage on behalf of all stakeholders and to ensure that the value thereby created is not appropriated by the shareholders but is distributed to all stakeholders.

Others like Kay (1998) suggest that this argument is sterile and that companies optimize value creation not by concern with either investors or stakeholders, but by focusing on the company's operating goals and ensuring that value creation and fair distribution will follow. The company's shareholder theory is also often referred to as the theory of agencies as the position of a company's management is to serve as shareholder agents (principals). The separation of ownership and control that is apparent in large modern-day (joint stock) companies, presently the most common way for a business to be organised, is another significant change since the days of Smith and Mill. It is this separation that leads to what is known as the principal – agent relationship. It is also argued that within this role it is only appropriate for managers (the agents) to use the funds at their disposal for purposes authorized by shareholders (the principals) (Hasnas, 1998; Smith & Hasnas, 1999). Further as shareholders normally invest in shares in order to maximize their own returns then managers, as their agents, are obliged to target this end. In fact this is arguing that as an owner a shareholder has the right to expect his or her property to be used to his or her own benefit. Donaldson (1982, 1989) disagrees and suggests that it can be morally acceptable to use the shareholder's money in this way if it is to further public interest. This suggestion's ethical and moral acceptability is questionable, and Smith and Hasnas (1999) point out that such an act would be contrary to the principle of Kant (1804). This principle states that, rather than as a means to an end, a person should be treated as an end in his or her own right. By using the money of shareholders for the benefit of others, it is argued that shareholders are being used as a means for other purposes.

This defence of shareholder theory is as ironic as it is compelling given that the exact same principle is often cited to defend stakeholder theory. According to agency theory, there is a lack of objective congruence between the principal and the agent and it is expensive or difficult to confirm the actions of the agent (Eisenhardt, 1989). In saying this, it is suggested that the agents will prefer different options to those chosen by the principals, left to their own devices. In comparison to that of the boss, the agents will take decisions and pursue paths that further their own self-interest. The belief that agents ' behavior is motivated by their own self-interest and nothing else has been criticized as an overly simplistic understanding of human behavior (Williamson, 1985). It is argued that in addition to self-interested motives, altruism, irrationality, generosity, genuine concern for other also characterized multi-faceted human behaviour. Sen (1987) agrees and in fact notes that it seems very unusual' to argue that anything other than maximizing self-interest must be irrational.' It was argued that investors should have the right to determine how to use their land, as should a private property owner. Etzioni (1998) argues that this view of both moral and legal investor property rights is' widely rooted in American political culture' and therefore no further introduction is required. Taking a step back, Etzioni (1998) observes that such rights to property are a social structure, as opposed to natural or inalienable rights, and as such society has the opportunity and the ability to change them if it is deemed necessary.

A closer examination was done of what private property entails, as it was historically established in Western societies today. Donaldson and Preston (1995) argue that property theory ' runs strongly contrary to the belief that private property solely enshrines owners ' interests.' We clearly note Pejovich's (1990) research as recognizing that ownership does not include unlimited rights because they can not be isolated from human rights. Therefore, Honore (1961) argues that

where the use would be detrimental to others, rights are limited. Donaldson and Preston (1995) say that they need to be based on distributive justice as property rights are limited.

Therefore, Agency Theory suggests that managers are merely acting as custodians of the company and its organizational operations and putting the responsibility of managing in the best interest of that business ' owners. According to the philosophy of the company, all other business investors are largely irrelevant and if they profit from the business then this correlates with the management's activities in running the business to satisfy shareholders.

2.2.2 Positive Accounting Theory

2.2.2.1 The Positive Accounting Theory

In the mid-1960s, Positive Accounting Theory (PAT) emerged. It originated from the works of prominent theorist Fama in the 1960s, particularly the work related to the Efficient Markets Hypothesis (Deagan (2004). Positive' Theory of accounting became popular with Gordan's works (1964). He concluded that by choosing accounting methods that increase their own value, senior management were likely to manipulate the data in the financial statements in their own favour. There were then several attempts to provide a constructive financial reporting concept (Jenson & Meckling, 1976; Watts, 1977; Watts & Zimmerman, 1978). I tried to explain why accountants do what Jensen and Meckling (1976) created and used to examine the relationship within the contract matrix between the organization's owners and managers. Before that time, in 1949, Italian Professor Aldo Amaduzzi published a book entitled *Conflitto ed equilibrio di interessi nel bilanciodell'impresa*, in which he studied financial statements (and their content) as the product of a conflict of interests between different corporations. His research was not regarded as mainstream because of language barriers (Melis, 2007).

The' Positive' theory of the agency is concerned with solving the problems that may occur in relationships with agencies (Jensen & Meckling, 1976). We describe the relationship between agencies as a contract under which the organization's owners (principals) hire the director (agent) to conduct some service on their behalf. The owners transfer any decision-making power to the administrator under this arrangement. Both parties are presumed to be utility maximizers with different philosophies and this could lead to divergent and misaligned interest between them. Owners would like to optimize the company's net present value, while managers would like to maximize utility, part of which is profit. The agent is not always going to act in the best interests of the principal in most cases. The agents could also hide information by not revealing relevant organizational details for selfish purposes (Barako et al., 2006). Owners face moral dilemmas because they are unable to decide or judge their agents ' judgment most of the time (Barako, 2007). This conflict of interest results in "agency problem" a.k.a. "main agent problem" whose resolution entails the cost of the agency (Al-Shammari, 2005).

Jenson and Meckling (1976) and Jenson (1983) agree that the issue of agencies is common to all organizations and that it persists at every level of management in companies in all organizational efforts. It includes public corporations, private organizations, and non-profit organizations such as colleges, hospitals, and charities, and even government agencies such as federal, state, and local government. Jenson and Meckling (1976) focused solely on the positive aspects of the relationship between the agencies as it applies to corporations. This is how the contractual arrangement between the owner and the manager can be designed to encourage the manager to make decisions that will improve the interests of the owner, knowing that there is ambiguity and inadequate control.

The cost of the company is a summation of the costs of control, contracting and residual loss. The owners ' restrict the managers ' unusual behaviors by incurring costs of surveillance. They set up reasonable incentives such as management rewards policies to ensure that the conduct of the managers is in line with the interests of the owners. The managers compensate in exchange for the owners by incurring "bonding expenses" to ensure that their acts are not injurious to the owners (e.g. providing adequate data in financial reports). Residual loss is the damage that the owners have suffered because the actions of the manager do not serve their interests. Costs of the agency can be minimized by providing more data in the financial statements that enables holders to access accurate, relevant and reliable information.

Jenson and Meckling(1976) argue that the expense of the business varies from company to company. The cost of the company depends on managers ' interests, the flexibility with which they can exercise their own preferences, and the cost of supervision and bonding. We emphasize that, depending on the level of separation and control within an organization, the cost of agency may increase or decrease. For example, widespread ownership of shares may lead to greater disputes between owners and managers. To remedy the situation, administrators are sharing more data than their close-held companies overseeing counterparts. These disclosures of information are signals that the managers act in their interest to the owners. It helps owners to more easily control their interests.

The expense of the company is also involved in debt financing. Jenson and Meckling (1976) also consider the role played by debt holders in controlling and borrowing costs. The debt holders may restrict the actions of the managers by including various covenants in the debt agreement resulting in the price of the bonds being reduced. These guidelines are comprehensive and

include most administrative aspects to protect the benefit consequences for the debt holders. These laws apply to dividends, working capital management and future debt problems. The costs involved in writing these rules, the expense of implementing them, and the company's diminished productivity is considered the cost of monitoring. There will be opportunities for debt holders to participate in tracking actions to the point where the actual "nominal" value is equal to the marginal benefits. The manager also has incentives to consider the costs imposed by this debt agreement as it directly affects the company's future cash flows. For through these expenses, administrators incur coordination costs by reporting detailed accounts such as those in the regular published accounting document. This will promote the appraisal of the company's debt holders and also ensure that their interests are well secured.

Watts (1977) explored the effects of Jensen and Meckling (1976) research on the quality of financial statements in a study of the history of corporate reporting in the United Kingdom. He developed a constructive accounting philosophy for setting accounting standards. Watts and Zimmerman (1978) expatiate more on Watts ' works by reflecting on the costs and benefits created by the management's accruing accounting standards. Political costs are among the variables proposed by Watts and Zimmerman (1978) for shaping accounting standards. The public sector has the power to influence the transfer of wealth through the political process and redistribute wealth. They might advocate for an industry to be nationalized, expropriated, broken up or regulated. Managers have the opportunity to combat these potential government intrusions by using a number of devices such as political lobbying, initiatives for social responsibility, and collection of accounting methods to reduce earnings. They reported that the extent of the political cost depends heavily on the size and profitability of the company.

Corporations with a large number of investors continue to be on the public eye and for extensive reporting are subject to their multiple users (Singhvi & Desai, 1971). The various government agencies track these large companies which seek to share more data to escape pressure from them. Large firms are recognizable and vulnerable to political attacks such as social responsibility pressure, price control and corporate taxes (Wallace et al, 1994). Some voters can lobby elected officers for nationalization, expropriation, or the break-up of the entire industry, according to Jenson and Meckling (1976). Cooke (1989) claims that it is possible to engage in political lobbying to increase regulation in a given industry. Industries may employ tools such as news social responsibility programs to mitigate government intrusion (Watts & Zimmerman, 1978). Political costs of regulatory changes that limit reported income (Wilson & Shailer, 2007), and companies may want to reveal less data to reduce the likelihood of political action. Positive accounting theory is described by Watts and Zimmerman (1990) as a positive accounting theory that seeks to explain and forecast accounting practice. According to Watts and Zimmerman (1990), this is quite distinct from standard accounting principles intended for prescriptive purposes.

Some authors used optimistic accounting theory to develop their work. For example, Ali et al. (2004) note that larger organizations appear to reveal in their annual reports more financial information than smaller ones. This increases the cost, credibility, public image, and government intervention of their company. This is in line with Watts and Zimmerman (1986) and Chow and Wong-Boren (1987) results. They also argued that companies with higher debt levels can reveal less data to conceal the level of risk of the company. Large audit companies are vulnerable to costs associated with the agency. They have a greater incentive than smaller firms to disclose the adequacy of the accounting systems.

Positive theory of accounting has a direct impact on the subject of study. Accounting reporting is an excellent opportunity to apply constructive philosophy for organizations in this study. This is based on the fact that managers (agents) have better access to the financial data of the company in order to maximize the value of the company can provide accurate and effective feedback to the consumer. We convey information to consumers of financial reports, which is useful in making choices between alternative uses of scarce resources, through financial reporting. On the contrary, these managers can fail to disclose important information to users due to their selfish interests. These activities are not in the interest of (principal) investors. This may result in higher capital costs and lower valuation of investments by investors.

2.2.3 Signaling Theory

Signaling theory is the principle that one party (the management agent) transfers some information about itself to another party (the principal or shareholders) in a trustworthy manner. For example, in the job-market signaling model of Michael Spence, (potential) workers send a signal to the employer about their skill level by obtaining qualifications for training. The credential's insightful quality stems from the fact that the employer assumes that the credential is positively correlated with greater ability and difficult to obtain for low-capacity workers. Thus the certificate allows the employer to make a clear distinction between low-skill workers and high-skill workers.

Michael Spence initially developed signaling theory on the basis of perceived knowledge gaps between organizations and prospective employees, and its intuitive existence contributed to it being applied to many other areas, such as human resource management, business and financial markets. Signaling took root in the concept of asymmetric information (a deviation from perfect

information), which claims differences of access to information in some economic transactions disrupted the standard exchange market for goods and services. In his 1973 seminal paper, Michael Spence proposed that two parties could solve the asymmetric data issue by sending a signal from one party that would disclose some relevant information to the other party (Micheal, 1973). The party would then perceive the signal and change its buying behavior accordingly— usually by providing a higher price than if the signal had not been received. Of course, there are many concerns these parties will run into immediately. How much time, resources and money should be spent on transmitting the signal by the sender (agent)? How can the recipient (the source, usually the purchaser in the transaction) trust the signal to be a truthful knowledge statement? Assuming there is a signaling balance under which the sender honestly signals and the receiver trusts that information, under what circumstances will the balance break down?

Potential employees on the job market are searching for some wage or cost to sell their services to employers. Employers are typically willing to pay higher wages in order to employ better workers. While the person may know his or her own level of ability, the recruiting company is (usually) unable to identify such an intangible trait— thus the knowledge between the two parties is asymmetrical. Education qualifications can be used as a signal to the client, suggesting a certain degree of competence the employee can possess; thereby reducing the information gap. This is beneficial to both parties as long as the signal suggests a positive attribute— such a signal may not be as attractive as a criminal record.

2.3 Empirical Studies

2.3.1 Profitability and Financial Reporting Quality

The effect of financial reporting on the competitiveness of quoted firms in Nigeria was investigated by Adetoso and Saliu (2015). The primary data sources were collected by

questionnaire distribution for the analysis, while the secondary information were extracted from the surveyed companies ' electronic annual financial reports. The analysis adopted work on the questionnaire and the development of cross-sectional studies. Using the proportionate stratified sampling, sample companies are collected. The variables considered in the analysis are financial reporting and financial performance, measured by financial reporting value, return on equity, return on capital, and after-tax income. Using Eviews 7 statistical tools, the hypotheses for this analysis were analyzed and the degree of significance used to test the hypothesis was 5%. The findings of the analysis show that there is positive relationship between quality of financial reporting and profit after tax (i.e. $0 \leq Pat \leq 0.002$). It also establishes that quality of financial report has significant effect on return on asset ($0 \leq Pat \leq 0.002$). Based on this, study concludes that there is strong relationship between profit after tax (PAT) and financial reporting quality of quoted companies in Nigeria as P-value obtained (0.000).

Company's profitability showed mixed evidence on its association with financial reporting quality. For instance, Raffournir (2006), Dedman et al. (2008), Fathi (2013), Uyar et al. (2013), Takhtaei et al. (2014) and Al-Asiry (2017) found a significant positive relation between profitability and financial reporting quality. The quality of information is more for a firm with a higher performance. This result indicated that profitable companies have growth opportunities they may disclose better information to show the reliability of their earnings and the projects that they presume to attain; this will spread their reputations and keep away from under-estimation of their actions (Fathi, 2013). Moreover, this relationship can also be justified by the way of behaving of managers, as they present better information to demonstrate their capability to maximize value for shareholders and enlarge their compensation (Fathi, 2013).

Conversely, Camfferman and Cooke (2002), Vandemele et al. (2009), Monday and Nancy (2016) and Ebrahimabadi and Asadi (2016) concluded that there is a negative relation between profitability and financial reporting quality. This finding can be explained by the fact that competitive costs of disclosure increase when the firm is highly profitable; thus, companies do not want to utilize their advantage to competitors and therefore the quality of information disclosed could decrease (Prencipe 2004). On the other hand, some studies have shown an insignificant relation between profitability and financial reporting quality (Abdul Majid & Ismail, 2008; Agyei-Mensah, 2013; Haji & Ghazali, 2013; Hosseinzadeh et al., 2014). Therefore, profitability may not influence financial reporting quality, or at least not be an important factor.

According to Stewardship Theory for 100 Best Corporate Citizens, Chiang (2015) discussed the connection between corporate social responsibility and the reliability of financial reports. The empirical results of the total studies showed that businesses can effectively reduce their rate of earnings management through delivering high-quality financial reports by practicing CSR. The findings of cluster sampling indicate that CSR has a mediating impact, minimizing the direct effects on the performance of financial reports in corporate governance board structures. This study considers the emergence of stewardship theory to compensate for the shortcomings and shortcomings of agency theory in explaining managers ' behaviors. This study provides policymakers and investors with deeper insights into the association between CSR performance of the company and the quality of its financial reporting. The results suggest that more attention should be paid to the company's investors while assessing the success of the CSR investment company.

2.3.2 Leverage and Financial Reporting Quality

John (2017) examined the determinants of the performance of financial reporting in the Agriculture and Natural Resources companies listed in Nigeria. Because of the widespread advocacy to diversify the Nigerian economy, it is important to choose the Agriculture and Natural Resources sectors as a prospective pillar of the economy so that investors and other stakeholders recognize the sector's financial reporting practices. The sectors consist of nine listed Agriculture and Natural Resources firms, consisting of five Agriculture firms and four Natural Resources firms. A selection of seven companies from the population was taken. Data was obtained from the company's annual financial reports from 2008-2015 from secondary sources. The analysis followed the research designs for correlation and ex-post variable and used the use regression as a method for analyzing data. The results showed a positive substantial correlation between leverage, liquidity, board size and reliability of financial reporting, calculated using Dechow, et al. (1995) residuals from the revised Jones model.

Rasha (2017) examined possible determinants that could influence the financial reporting performance of 88 annual reports from a sample of 22 Lebanese banks for the 2012-2015 period. The financial reporting performance index of 40 items was used as the dependent variable, while the independent variables are bank specific characteristics of leverage, volume and productivity as well as corporate governance characteristics of board autonomy, ownership structure and board size. The results indicate that financial leverage, ownership structure, and board size have an important and positive relationship with the performance of financial reporting using the multivariate OLS method. On the other hand, in explaining the performance of banking sector financial reporting in Lebanon, bank volume, profitability and board autonomy were found not to be statistically significant. The findings show that improved financial reporting performance in

banking sector annual reports can be accomplished through higher debt ratios, higher investor interest, and higher board size.

Amr (2016), Takhtaei and Mousavi (2012), Shehu and Farouk (2014) studies have revealed a positive relationship between liquidity and the performance of financial reporting. Nonetheless, a significant negative relationship was documented by Shehu and Ahmad (2013), Shehata, et al. (2014). In their analysis, Aljifri, Alzarouni, Ng & Tahir (2014) found a marginal relationship. Nonetheless, this study will conclude that liquidity has a positive influence on the performance of financial reporting of listed Nigerian Agriculture and Natural Resources firms.

Olumide (2015) studied the features of company systems and the performance of financial reporting. He explored in his research the impact of leverage, firm size on the performance of financial reporting. The study's population included Nigeria's list of deposit money banks. For the analysis, the concept of correlational research was adopted. The study revealed that the value of listed deposit money banks in Nigeria had no significant relationship between leverage and financial reporting. However, the relationship between leverage and the quality of financial reporting of listed deposit money banks in Nigeria is set at 0.2020; this is not significant at a p-value of 0.377 at a significance level of 5 percent.

2.3.3 Firm Size and Financial Reporting Quality

Olumide (2015) investigated firm structural attributes and financial reporting quality. In his study, he examined the influence of leverage, firm size on financial reporting quality. The k8population of the study comprised list of deposit money banks in Nigeria. Correlational research design was adopted for the study. The findings of his study revealed that there was no significant relationship between firm size and financial reporting quality of listed deposit money

banks in Nigeria. A p-value of 0.113 in his suggested the null hypothesis was accepted. Despite a positive relationship of 0.5975, p-value was greater than 0.05 level of significance. We therefore conclude that there is no significant relationship between the size of the firm and the performance of financial reporting of the banks listed in Nigeria for deposit money. Nonetheless, it should be remembered that a positive relationship with an unusual loss of loan indicates a negative relationship with the performance of financial reporting.

Many research explored the relationship between the size of the company and the performance of financial reporting, but the findings varied widely. Bradbury et al. (2006), Fathi (2013), Htay et al. (2013), Haji and Ghazali (2013), Chakroun, and Hussainey (2014), Asegdew (2016), Uwuigbe et al. (2017), and Akeju and Babatunde (2017), for instance, found a positive correlation between the size of the firm and the performance of financial reporting. These findings suggested that a larger firm size would achieve better reporting value of the annual reports (Htay et al., 2013). Large firm size could provide more competence and knowledge to the firm and may have the capability to monitor excellently, which could consequently lead to higher quality of financial reporting (Haji and Ghazali, 2013).

Conversely, Yoshikawa and Phan (2003), Byard et al. (2006) and Ostadhashemi et al. (2017) found a negative relation between firm size and financial reporting quality. This finding demonstrated that the lesser the firm size, the better communication and coordination is which in turn will result in better disclosure quality of accounting information (Yoshikawa & Phan, 2003). However, Firth et al. (2007), Ben-Ali (2008), Liu and Sun (2010), Chalaki et al. (2012), Soheilyfar et al. (2014) and Navarroand Urquiza (2015) demonstrated that financial reporting quality is not significantly associated with firm size. This result could be justified by the fact that firm size may not convey board quality if it does not work proficiently (Uyar et al., 2013). While

the board's monitoring ability rises as more directors are joined to the board, the benefit may be exceeded by the cost of inferior communication and decision-making allied with larger groups; thus, the efficiency and effectiveness of board's working is significant rather than its size (Uyar et al., 2013).

Accounting standards were provided throughout the world to provide the basis of financial statements preparation. Recent findings, however, show that accounting is used in financial reports to misrepresent earnings and assets. Accounting standards are expected as guidelines to influence disclosures in the preparation of financial statements. Nonetheless, recent business losses arising from insufficient compliance with the disclosure requirements of accounting standards pose fundamental questions about the capacity of accounting standards to enforce compliance with their principles. Likewise, the findings of the Federation's Accountant General on audited financial statements of commercialized Federal Government Enterprises (CFGE) in Nigeria over the decades have shown that financial statements have not completely met the requirements of accounting standards. Also in the past, studies have suggested that disclosures were affected by firm features.

The results from previous studies, however, differ from study to study, from industry to industry, and from country to country. In order to verify the AGF documents and the results of previous studies, Ray (2015) conducted a study to determine the extent to which CFGE complies with accounting standards disclosure requirements and also studied the impact of firm size and firm effects on the disclosure practices of 18 filtered government companies in Nigeria. The study's conceptual structure connecting reporting activities with commercialized business corporate attributes was based on four theories-organization, stewardship, investors, and theories of resource dependence. The research used techniques of content analysis for data collection and

used for data analysis Descriptive Statistics and Multiple Regression Analysis. The findings showed, based on the research performed, that firm size has a significant influence on the level of compliance with the criteria for reporting of accounting standards.

Furthermore, the findings showed that most of the nature of CFGE influences the disclosure of accounting standards. The findings also showed that only two companies with disclosure indices above 91 percent (96 percent and 95 percent) were low in the remaining 16 disclosure indices compared to the 91 percent cross-country disclosure index for emerging economies such as Nigeria. The results suggested that an increase in fixed assets would increase the level of accounting standards enforcement as it would boost the financial capacity to hire and/or engage professional accountants in corporate finance and account management roles and broad audit firms in the financial statements of audit firms. This has the potential to increase the rate of compliance in these organizations with accounting standards. The study suggested four possible ways in which investment in government-owned business property would be improved; these included: clear privatization, government / private partnership, improvements in the share guarantee status of commercialized companies to allow private investors to participate, and government must fulfill their quality agreements with the governing board.

2.3.4 Audit Firm and financial Reporting Quality

Samuel (2017) analyzed the audit firm's relationship with the performance of financial reporting in Nigeria. The quantitative study was conducted using a sample of 189 companies from 2011-2015 and 664 years of observation. One of the desirable characteristics of corporate governance is to improve the quality of financial reporting to promote efficient and effective allocation of resources by corporate managers for economic decision-making. Regression of the data of the panel was introduced and a successful and relevant audit firm was identified with the

performance of financial reporting. The study results underline the value of the recommendation on corporate governance as a way of improving the audit committee's supervision and oversight position in the financial reporting system. Eventually, the study gave suggestions for improving the quality of transparency in financial reporting.

Nwanyanwu (2015) explored the effect on financial reporting of audit performance practices in Nigeria, gathering evidence from auditing firms. A questionnaire was used to collect data. Using descriptive statistics, Pearson Product Moment Coefficient of Correlation and step by step multiple regression, univariate, bivariate and multivariate analyses are performed. Findings show a statistically significantly positive relationship between audit quality measures (auditor autonomy, professional training and skills and level of engagement) and financial reporting (measured in terms of financial statement reliability). The autonomy of auditors has the highest explanatory power of 47.9 percent variance in financial statement quality. Therefore, the financial report's highest quality of reliability is provided by the regression model with only auditor autonomy. The autonomy of the auditor is a prime audit quality of financial reporting due to the presence of technical training and development of expertise and commitment. Accounting professionals must imbibe the autonomy ethics in order to achieve the integrity and accuracy that financial reports demand.

Kangarlouei (2010) studied the impact of audit performance on the accrual reliability of listed companies and found that in audit firms with higher audit quality there was more accrual stability coefficient than those with lower audit quality. Similarly, Al-Khaddash et al. (2013), drawing information from Jordanian commercial banks, did a work on factors affecting audit performance. Results indicate a positive and important correlation between the performance of

the audit and the profitability of the audit, the credibility of the audit office, the audit fees, the size of the audit firm and the auditor's abilities.

2.4 Summary of Literature Review

This study investigates corporate attributes and financial reporting quality of listed non-financial firms in Nigeria. The study was theoretically reviewed under agency theory, positive accounting theory and signaling theory. These theories monotonously emphasized the interplay between management of firm (agents) and shareholders (principals). The theories elucidated relationship that bound these parties in nexus with corporate attributes and financial reporting quality. The theories prove that rational decision making can be adulterated by the interplay between management and shareholders, if useful information is altered.

Four firm’s attributes are conceptually and empirically reviewed. These include profitability, leverage, firm size and audit firm. Previous literature have extensively analysed the influence of corporate attributes on financial reporting quality. Findings of related studies have juxtaposed different relationship that exist between the independent variable (corporate attributes: profitability, leverage, firm size and audit firm) and dependent variable (financial reporting quality)

2.5 Gaps in the literature

Observations from literature review have shown that vary connections that exist between the dependent variable (financial reporting quality) and independent variables (corporate attributes: such as profitability, leverage, firm size, and audit firm). Some researchers in this field have ascertained positive and negative significant relationship between the tested variables while other ascertained insignificant relationship across different industries. But little or no studies as

observed in the review of literature in this study have investigated corporate attributes and financial reporting quality of non-financial firms in Nigeria. This is the gap filled in this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the process and procedures employed to achieve the objectives of the study. It covers the research design, methods and techniques of data collection and analysis. The chapter begins with the discussion of the research design adopted for the study, and then followed by the population and sample of the study. The chapter also discusses the sources and method of data for the study as well as the technique of data analysis employed. It also presents the model of the study and the justifications of the methods and techniques adopted in the study.

3.1 Research Design

This study adopts correlational research design to investigate the relationships as well as the effects of the audit firm characteristics on the financial reporting quality of quoted building material firms in Nigeria. This design is chosen because of its effectiveness in assessing the relationships and the effects of two or more variables main objective of this research.

3.2 Population and Sample of the Study

The population of the study comprised all the quoted non-financial firms operating on the Nigeria Stock Exchange (NSE) as at 31st December 2016. The sample of the study comprised 92 non-financial firms. The sample of the study comprised 92 non-financial firms. The sample size was determined by slovin (1960) sampling size formula as shown below.

N=N

1= Ne

Where

n=sample size

N=population of the study

e= significant level =5% = 0.05

n = 118

$1 + (118 * 0.05^2)$

=91.7 =92 firms.

This sample size is approximately 78% of the study population. This will allow for proportional representation of the entire population.

3.3 Sampling technique

Stratified sampling technique will be adopted. This will allow for proportional representation of all the sectors involved in the study. It will be followed by simple random sampling technique to give equal opportunity to each firm. Table 3.1 contains the sampled firm.

Table 3.1: sampled firms

S/N	Sector	Number of firms	Sample size	Sample size
1	Agriculture& Natural Resources	10	10	$\frac{10}{118}\times 92 = 8$
2	Conglomerates &construction / Real Estate	13	9	$\frac{13}{118}\times 92 = 10$
3	Consumer Goods	26	21	$\frac{26}{118}\times 92 = 6$
4	Health Care	10	8	$\frac{10}{118}\times 92 = 8$
5	ICT	10	8	$\frac{10}{118}\times 92 = 8$
6	Industrial Goods	18	14	$\frac{18}{118}\times 92 = 14$
7	Oil & Gas	10	8	$\frac{10}{118}\times 92 = 8$
8	Service	21	16	$\frac{21}{118}\times 92 = 16$
Total		118	92	

Source: The Nigerian Stock Exchange Fact-book (2016)

3.4 Source and method of Data collection

In this study, secondary data were used. The data were extracted from the financial statement of all the sampled firms as shown. More so, the sources of the data include the financial statements (statement of comprehensive income, Statement of financial position, statement of cash flows and non-financial information) of the sampled firms extracted from NSE 2016 fact-book. The use of secondary data in this study is justified based on the fact that the study is based on the quantitative research methodology, and hence requires quantitative data.

3.5 Model Specifications

A model, according to Onwumere (2009), is a mathematical expression of reality though it can exist in different forms. The model for this study was specified in line with the research questions.

$FRQit = \alpha + \beta_1 FSIZE_{it} + \beta 2LEVit + \beta_3 PROFIT_{it} + \beta 4AUDFit + \mu$

Where:

FRQ = Financial Reporting Quality

FSIZE = Firm Size

LEV = Leverage

PROFIT = Profitability

AUDF = Type of Audit Firm

αit = Constant of the equation

β- βit = Coefficient of the explanatory variable

I ranges from 1 to 92

T-Number of firm years

μ= Error terms

3.6 Variables Measurement

The definitions and measurements of the variables used in this study are presented in table 3.2 below;

Table 3.2 Measurement of Variables

Variables	Measurement
Financial Reporting Quality (FRQ)	It was measured by adopting Nice (2009) operationalization of relevance of financial statements.
Firm size	Calculated by log of total assets
Profitability	Rate of return on assets that is ratio of operating income to total assets at year end
Leverage	Ratio of total liabilities to total assets at years end. Measured as total equity/ total assets
Audit firm	Measured by type of audit firm

3.7 Method of Data Analysis:

Data analysis involved descriptive statistics and inferential statistics. Descriptive statistics includes means and standard deviation. Inferential statistics explored includes correlation and regression analyses. Correlation was used to assess the level of association between the dependent and independent variables. Multiple Linear Regression analysis was used in this study to determine the significance of the relationship between dependent variable and the independent variables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the results of the study. The chapter is organized as follows; the first section provides the results of descriptive analysis on the variables used in the study. The second section presents the results of the correlation and regression analyses. The final section is the discussion of findings.

4.1 Descriptive Statistics

The actual data used in this study was culled from the 2016 annual reports of available 92 non-financial firms in Nigeria. Table 4.1 provides a summary of descriptive statistics on the variables.

Table 4.1: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Financial Reporting Quality	92	1.00	5.00	4.3505	.61691
Leverage	92	.02	2.30	1.5446	1.04417
Audit Firm	92	.00	1.00	.3913	.49072
Firm Size	92	3.73	16.60	7.3173	1.43994
Profitability	92	.07	72.40	16.6845	14.41771
Valid N (listwise)	92				

Source: Research Survey (2019)

Table 4.1 shows the measure of financial reporting quality (FRQ) which is relevance of financial statements as operationalized by Nice (2009). It has a minimum value of 1.00 and 5.00 as the maximum value. The average value of the FRQ is 4.3505 with standard deviation of 0.61691, signifying that the data deviate from the mean value from both sides by 0.61691. This result indicates that financial reporting quality of the sampled firms is very high. Further, this outcome implies that there is a wide dispersion of the data from the mean because the standard deviation is close to the mean.

Table 4.1 also reflects the size of the listed, non-financial firms (FSIZE), the value of their log of total assets ranges from a minimum value of 3.73 and 16.60 as the maximum value. The average value of the size is 7.3137 with standard deviation of 1.43994. The implication is that the firms are large.

Table 4.1 further reveals the measure of leverage (LEV), it has a minimum value of 0.02 and 2.30 as the maximum value. The average value of the LEV is 1.5446 with standard deviation of 1.04417, signifying that the data deviate from the mean value from both sides by 1.04417. This outcome implies that the sampled firms are with moderate gearing.

Also, table 4.1 shows the measure of profitability (PROFIT), it has a minimum value of 0.07% and 72.40% as the maximum value. The average value of the PROFIT is 16.68% with standard deviation of 0.19531, signifying that the data deviate from the mean value from both sides by 0.19531. This outcome implies that the profitability of the firms sampled for the study is reasonable. This finding implies further that there is a wide dispersion of the data from the mean because the standard deviation is close to the mean.

Table 4.1 shows the type of audit firm (AUDF) being engaged by the sampled firms, it has a minimum value of 0.00 and 1.00 as the maximum value. The average value of the AUDF is 0.3913 with standard deviation of 0.49072, signifying that the data deviate from the mean value from both sides by 0.49072. This finding implies that most of the firms sampled for this study are being audited by non-big four audit firms.

4.2 Test of Hypotheses

The four hypotheses formulated for this study were tested with correlation and multiple regression analyses.

4.2.1 Correlation Analysis

Table 4.2: Correlation Results

		FRQ	LEV	AUDF	FSIZE	PROFIT
FRQ	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	92				
LEV	Pearson Correlation	-.121	1			
	Sig. (2-tailed)	.250				
	N	92	92			
AUDF	Pearson Correlation	.050	-.100	1		
	Sig. (2-tailed)	.635	.345			
	N	92	92	92		

FSIZE	Pearson Correlation	.617**	-.115	-.015	1	
	Sig. (2-tailed)	.009	.275	.885		
	N	92	92	92	92	
PROFIT	Pearson Correlation	.620**	-.055	.199	.012	1
	Sig. (2-tailed)	.002	.605	.057	.907	
	N	92	92	92	92	92

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field Survey (2019)

Table 4.2 presents the Pearson correlation results of all the variables of the study which include the financial reporting quality (FRQ) and corporate attributes variables (firm size, leverage, profitability and type of audit firm) in listed, non-financial firms in Nigeria. The table shows that there is a significant positive relationship between financial reporting quality (FRQ) and firm size (FSIZE) from the correlation coefficient of 0.617, at 99% confidence level (p-value 0.009). This result suggests that financial reporting quality is likely to increase with an increase in corporate size. Similarly, the table shows that there is a significant positive relationship between financial reporting quality (FRQ) and profitability (PROFIT) from the correlation coefficient of 0.620, at 99% confidence level (p-value 0.002). This result suggests that financial reporting quality likely increases with an increase in corporates' profitability. Leverage (r = .575, p-value = .015) and type of audit firm (r = .575, p-value = .015) have no significant relationship with financial reporting quality. However, there were no significant correlations among the independent variables suggesting that there is no multi-collinearity problem.

4.2.2 Regression Analysis

Four hypotheses were tested with multiple regression analysis and t-test. The outcomes of these inferential statistical tests are presented in the following sub-sections.

4.2.2.1 Hypothesis One

Hypothesis one states that "Firm size has no significant impact on financial reporting quality of listed, non-financial firms in Nigeria". Table 4.3 presents the model summary. The R Square (.519) shows that 51.9% variation in quality of financial reporting can be predicted by firm size, leverage, profitability and type of audit firm.

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.137[a]	.519	.206	.62497

a. Predictors: (Constant), PROFITABILITY, FIRM SIZE, LEVERAGE, AUDIT FIRM

Source: Field Survey (2019)

From the ANOVA statistics in the table above, the data collected, which is the population parameters, had a meaning rate of 0.9% that indicates that the data is suitable for concluding on the population parameter as the meaning value (p-value) is less than 5%. The F critical at 5% level of significance was 7.634 since F calculated is greater than the F critical (value = 2.262), this shows that the overall model was significant. This is an indication that equity, inventory turnover, liquidity, efficiency, profitability, leverage and firm size influence the financial reporting quality of the listed non-financial firms in Nigeria.

Table 4.4: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	28.651	4	8.163	35.417	.006[b]
1	Residual	5.981	87	25.391		
	Total	34.632	91			

a. Dependent Variable: FRQ

b. Predictors: (Constant), PROFITABILITY, FIRMSIZE, LEVERAGE, AUDITFIRM

Source: Field Survey (2019)

Table 4.5 shows the results of the coefficients of the model used in the study. The coefficients, the standard error of coefficients, the t-value, and the p-value are shown. The results in the table show which variables have a significant effect on financial reporting quality of listed, non-financial firms in Nigeria. The regression result in Table 4.5 clearly shows that there is a positive relationship between the financial reporting quality and firm size. The Beta coefficient for this variable is 0.725 and it is significant at 5% with a P-Value of 0.005 and t-test value of 2.019. Therefore the alternative hypothesis was accepted and it can be suggested that firm size has significant impact on financial reporting quality of listed, non-financial firms in Nigeria.

Table 4.5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.301	.355		12.128	.000
	LEVERAGE	-.010	.009	.128	-1.188	.238
	AUDITFIRM	.075	.137	.060	.550	.584
	FIRMSIZE	.725	.046	.352	2.019	.005
	PROFITABILITY	.835	.005	.415	2.136	.002

Source: Field Survey (2019)

4.2.2.2 Hypothesis Two

Hypothesis two stated that "Leverage has no significant effect on the financial reporting quality of listed, non-financial firms in Nigeria". The study revealed that there was a negative and insignificant relationship between the financial reporting quality and leverage. The coefficient for firm leverage is -0.010, p=0.238. Its t-test value is -1.188. There was a negative and insignificant relationship between the financial reporting quality and leverage. Therefore the null hypothesis was accepted and it can be suggested that leverage has no significant impact on financial reporting quality of listed, non-financial firms in Nigeria.

4.2.2.3 Hypothesis Three

Hypothesis three stated that “Profitability size has no significant influence on financial reporting quality of listed, non-financial reporting quality in Nigeria”. The coefficient of profitability is 0.835, p=0.002. Its t-test value is 2.136. There was a negative and insignificant relationship between the financial reporting quality and efficiency. Therefore the alternative hypothesis was accepted and it can be suggested that profitability has influence on financial reporting quality of listed, non-financial firms in Nigeria.

4.2.2.4 Hypothesis Four

Hypothesis four stated that “Type of audit firm has no significant relationship with financial reporting quality of listed, non-financial firms in Nigeria”. The coefficient for type of audit firm is 0.075 with p=0.584 while the t-test value is 0.060. Thus, there was a positive but insignificant relationship between financial reporting quality and type of audit firm. Therefore the null hypothesis was accepted and it can be suggested that type of audit firm has no significant relationship with financial reporting quality of listed, non-financial firms in Nigeria.

4.3 Discussion of Research Findings

Firm size has been explored as a control variable in financial reporting quality studies and in this study, the effect of size of firms on their financial reporting quality was also tested. Size was measured as the natural logarithm of total assets. The results in Table 4.5 show that size had a positive significant relationship with financial reporting quality. The beta coefficient was positive and significant at 1% level. Thus, there was significant relationship between size of non-financial firm and financial reporting quality. This finding was supported by the studies of Bradbury et al. (2006), Fathi (2013), Htay et al. (2013), Haji and Ghazali (2013), Chakroun, and Hussainey (2014), Asegdew (2016), Uwuigbe et al. (2017) and Akeju and Babatunde (2017) that

found a positive relation between firm size and financial reporting quality. Contraily to the findings of this study, Olumide (2015) found that no significant relationship exists between firm size and financial reporting quality. This result was also contrary to the findings of Naser*et al.* (2002) that there was no significant relationship between firm size and financial reporting quality.

Leverage reflects the ability of companies to manage their exposure to unexpected losses. In this study, leverage was measured as the ratio of debt to equity. The results in Table 4.5 show that leverage had a negative effect on the financial reporting quality. The beta coefficient was weak and insignificant at 5%. This shows that leverage has no significant effect on financial reporting quality of listed non-financial firms in Nigeria. This finding was contrary to the findings of Robbin and Austin (1986), Chow and Boren (1987), Nicholls (1994), and Hasan (2012) that there was positive and significant relationship between leverage and financial reporting quality. Similarly, Mariju (2012) also found positive and significant relationship between financial reporting quality and leverage of companies in Kenya. The outcome was also contrary to the findings of John (2017) and Rasha (2017) that a positive significant relationship exists between leverage and financial reporting quality as well as Olumide (2015) that a negative significant relationship exists between leverage and financial reporting quality.

Results in Table 4.5 show that profitability had a positive effect on financial reporting quality. The beta coefficient was positive and significant at 5%. Using standardized coefficient and holding all other factors constant, a 1% increase in profitability of non-financial firms in Nigeria will lead to a 33.0% increase in their financial reporting quality. From these results, the non-financial firms with high profitability in Nigeria improve the quality of financial reporting quality better than those with low profitability. This finding was supported by Adetoso and Saliu

(2015), Raffournir (2006), Dedman et al. (2008), Fathi (2013), Uyar et al. (2013), Takhtaei et al. (2014) and Al-Asiry (2017) that profitability and financial reporting quality have positive significant relationship. However, this outcome was contraru to the studies of Camfferman and Cooke (2002), Vandemele et al. (2009), Monday and Nancy (2016) and Ebrahimabadi and Asadi (2016) that there is a negative relationship between profitability and financial reporting quality.

The results in Table 4.5 show that type of audit firm had positive non-significant relationship with financial reporting quality. The beta coefficient was positive but insignificant at 5% level. Thus, there was no significant relationship between type of audit firm and financial reporting quality of listed non-financial firms in Nigeria. This finding was contrary to the findings of Nwanyanwu (2015), Kangarlouei (2010) and Al-Khaddash et al. (2013) that audit quality has positive significant effect on financial reporting quality.

CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of findings, conclusions of the study, recommendations for practice and policy, and suggestions for further research.

5.1 Summary of Findings

This study sought to establish the relationship between corporate attributes and financial reporting quality of listed, non-financial firms in Nigeria. The tested variables were leverage, firm size, profitability and type of audit firm. Secondary data was collected on these variables from the 2016 annual reports of listed non-financial firms in Nigeria. The data was then organized in Statistical Package for Social Sciences version 20 for analysis. The descriptive analysis reveals high financial reporting quality (mean = 4.3505), large firm size (mean = 7.3173), moderate leverage (mean = 1.5446), reasonable profitability (mean = 16.68%) and prevalence of auditing by non-big 4 audit firms (mean = .3913). The results of the correlation showed that size and profitability of the firm were significantly correlated with the quality of financial reporting. Multiple linear regression results showed that leverage and form of audit firms had no significant impact on the quality of financial reporting of listed, non-financial firms in Nigeria, while firm size and profitability were the only variables that had a significant impact on the quality of financial reporting of listed, non-financial firms in Nigeria.

5.2 Conclusion

This study concludes that financial reporting quality of non-financial firms is positively and significantly influenced by their size and profitability. Other variables like leverage and type of

audit firm have no significant relationship with financial reporting quality of listed, non-financial firms sampled for this study. Hence, firm size and profitability are the only potent factors that contributed to the prediction of financial reporting quality of listed, non-financial firms in this study.

5.3 Recommendations

In line with the findings and the conclusions of this study, the study recommends that policy makers and regulators should intensify regulations and surveillances in the non-financial firms due to the evidence of quality financial reporting that is associated with the corporate attributes. Particularly, they should make it a policy that these firms should consider importance and benefit of financial reporting quality when preparing their annual report so that the report will be free from manipulations. Accurate financial reporting should be established and published by these firms; this will encourage both local and foreign investors to participate in various firms base on trust and reliability.

5.4 Areas for Further Research

In the process of this research, some certain areas that could be investigated have surfaced. For instance, the impact of corporate attributes on financial reporting quality in other sectors (financial firms) of the Nigerian economy requires research effort, especially as they are not covered in this study. There is the need for similar studies that will assess the relationship between corporate attributes and financial reporting quality in non-financial firms using different tool of analysis like survey of stakeholders opinion about firm attributes, so as to see how firm characteristics can be used to achieve quality of financial report and maximize shareholders wealth in other sectors of the Nigerian economy.

There is also the need to conduct similar research using a different source of data, employing different financial reporting quality and corporate attributes proxies, and using different scales of measurement of variables and techniques for data analysis. Further research in these areas would not only complement this study, but would also help in bringing about improvement in financial reporting practices the Nigerian corporate landscape.

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