

## **The Impact of Audit Committee on Real Earnings Management: Evidence from Netherlands**

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**Abstract :** Regulators highlight the importance of the Audit Committee (AC) as a key internal corporate governance mechanism. One of the most important roles of this committee is to oversee the financial reporting process. The purpose of this paper is to examine the link between the characteristics of an audit committee and the financial reporting quality by investigating whether the formation of audit committees and their characteristics are associated with improved financial reporting quality. This study provides empirical evidence of the association between audit committee independence, financial expertise, gender diversity, and meetings and Real Earnings Management (REM) as a proxy of financial reporting quality. Using data from, with a sample of 80 companies listed on the Amsterdam Stock Exchange during 2010-2017, the study finds that independence and AC Gender diversity are strongly related to financial reporting quality. In fact, these two characteristics constrain REM. The results also suggest that AC-financial expertise reduces to some extent, the likelihood of engaging in REM. These conclusions provide support then to the audit committee requirement under the Dutch Corporate Governance Code rules regarding gender diversity and AC meetings.

**Keywords :** audit committee, financial expertise, independence, real earnings management

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