

Audit Committee Characteristics and Earnings Quality of Listed Food and Beverages Firms in Nigeria

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Abstract : There are different opinions in the literature on the relationship between Audit Committee characteristics and earnings management. The mix of opinions makes the direction of their relationship ambiguous. This study investigated the relationship between Audit Committee characteristics and earnings management of listed food and beverages Firms in Nigeria. The study covered the period of six years from 2007 to 2012. Data for the study were extracted from the Firms' annual reports and accounts. After running the OLS regression, a robustness test was conducted for the validity of statistical inferences. The dependent variable was generated using two steps regression in order to determine the discretionary accrual of the sample Firms. Multiple regression was employed to run the data of the study using Random Model. The results from the analysis revealed a significant association between audit committee characteristics and earnings management of the Firms. While audit committee size and committees' financial expertise showed an inverse relationship with earnings management, committee's independence, and frequency of meetings are positively and significantly related to earnings management. In line with the findings, the study recommended among others that listed food and beverages Firms in Nigeria should strictly comply with the provision of Companies and Allied Matters Act (CAMA) and SEC Code of Corporate Governance on the issues regarding Audit Committees. Regulators such as SEC should increase the minimum number of Audit Committee members with financial expertise and also have a statutory position on the maximum number of Audit Committees meetings, which should not be greater than four meetings in a year as SEC code of corporate governance is silent on this.

Keywords : audit committee, earnings management, listed Food and beverages size, leverage, Nigeria

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