

**AUDIT FIRM ATTRIBUTES AND FINANCIAL REPORTING QUALITY OF QUOTED
MULTINATIONAL FIRMS IN NIGERIA**



BY

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**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN,
BENIN CITY, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF BACHELOR OF SCIENCE (B.SC) DEGREE IN ACCOUNTING.**

OCTOBER, 2025

DECLARATION

I hereby declare that:

This project work is based on a study undertaken by me in the Department of Accounting, University of Benin, under the supervision of Dr. J.O. Ojeaga.

This research work has not been previously submitted for the award of degree elsewhere.

All ideas and views are products of my personal research and where the views of others have been used and expressed, they were duly acknowledged.

JEMILETU MIMINU
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Date

CERTIFICATION

We certify that this research work was carried out by **JEMILETU MIMINU** with matriculation number **MGS2104599** in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria. It is adequate in scope and quality in partial fulfillment of the requirements for the award of Bachelor of Science (BSc.) degree in Accounting.

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DEDICATION

I humbly dedicate this project work to my ever supportive family and amazing parents for their unwavering show of love, commitment and efforts to enable me successfully complete this project.

And above all, to GOD ALMIGHTY for His infinite wisdom, direction and help to accomplish this project.

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TABLE OF CONTENTS

COVER PAGE	i
TITLE PAGE	ii
DECLARATION	iii
CERTIFICATION	iv
DEDICATION	v
ACKNOWLEDGMENTS	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	x
ABSTRACT	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Background to the Study	1
1.2 Statement of the Research Problem	4
1.3 Research Questions	5
1.4 Research Objectives	6
1.5 Research Hypotheses	6
1.6 Scope of the Study	7
1.7 Significance of the Study	7
CHAPTER TWO: LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Conceptual Review	10
2.2.1 Financial Reporting Quality	10
2.2.2 Measures of Financial Reporting Quality	13
2.2.2.1 Earnings Quality	13

2.2.2.2 Accrual Quality	14
2.2.2.3 Conservatism	15
2.2.2.4 Value Relevance	16
2.2.2.5 Timeliness	17
2.2.3 Audit Firm Attribute	18
2.2.4 Dimensions of Audit Firm Attributes	19
2.2.4.1 Audit Firm Size	19
2.2.4.2 Audit Fees	21
2.2.4.3 Audit Firm Industry Expertise	22
2.2.4.4 Audit Firm Tenure	24
2.3 Conceptual Framework	25
2.4 Theoretical Review	27
2.4.1 Agency Theory	27
2.4.2 Signaling Theory	29
2.4.3 Resource-Based View (RBV) Theory	31
2.4.4 Institutional Theory	33
2.4.5 Agency Theory	36
2.6 Empirical Review	37
2.6.1 Audit Firm Size and Financial Report Quality	37
2.6.2 Audit Fees and Financial Report Quality	39
2.6.3 Audit Firm Industry Expertise and Financial Report Quality	42
2.6.4 Audit Firm Tenure and Financial Report Quality	45
2.7 Gaps in Literature	51
2.7.1 Foreign Perspectives: Methodological Challenges, Comparative Findings, and Theoretical Position	53
CHAPTER THREE: METHODOLOGY	58
3.1 Introduction	58

3.2 Research Design	58
3.3 Population of the Study	58
3.4. Sample Size and Sampling Technique	59
3.5 Sources of Data	61
3.6 Model Specification	62
3.7 Measurement and Operationalization of Variables	65
3.8 Method of Data Analysis	66
CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION	69
4.1 Introduction	69
4.2 Empirical Analysis	69
4.2.1 Descriptive Statistics	69
4.2.2 Correlation Analysis	72
4.2.3 Diagnostics Test	74
4.2.4 Regression Analysis and Hypothesis Testing	80
4.3 Test of Hypotheses	82
4.4 Discussion of Findings	84
4.5 Summary of Findings	87
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS	90
5.1 Introduction	90
5.2 Summary of Findings	90
5.4 Contribution of the Study	91
5.5 Recommendations	92
5.5.1 Policy Recommendations	92
5.5.2 Suggestions for Further Studies	94
References	Error! Bookmark not defined.
APPENDICES	116

LIST OF TABLES

Table 2.1 Summary of Empirical Review-----	48
Table 3.1: Multinational-Affiliated Listed Companies on the Nigerian Exchange (NGX)---	59
Table 4.1 Descriptive Statistics of Common Sample -----	68
Table 4.2: Correlation Analysis-----	72
Table 4.3 Variance Inflation Factor Test-----	73
Table 4.4 Cross-section Dependence Test-----	74
Table 4.5: Breusch-Godfrey Serial Correlation LM Test-----	75
Table 4.6: Breusch-Pagan-Godfrey Test-----	77
Table 4.7: Ramsey RESET Test-----	78
Table 4.8: Robust Least Squares result-----	79
Table 4.9: Summary of Hypotheses Testing Results-----	86

ABSTRACT

This study examined the impact of audit firm attributes on the financial reporting quality of quoted multinational firms in Nigeria, with a specific focus on audit firm size, audit fees, audit firm industry expertise, and audit firm tenure. The study employed a quantitative research design, analyzing panel data from 13 multinational firms quoted on the Nigerian Exchange Group over a six-year period (2019–2024). Using the Robust Least Squares (RLS) estimation technique, the study investigated the extent to which these audit characteristics influence the quality of financial reporting. The findings revealed that audit firm size had a positive and statistically significant effect on financial reporting quality, while audit firm tenure showed a negative and significant relationship. In contrast, audit fees and audit firm industry expertise were found to have no significant effect. Based on these outcomes, the study recommended that firms engage larger, reputable audit firms to enhance reporting quality, and that regulatory bodies enforce auditor rotation policies to reduce risks associated with prolonged audit tenure.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The concept of audit firm attributes including the quality of audit has really drawn the attention of several academic researchers all over the world. Audit add legitimacy to the financial reportage procedure by ensuring that financial reports are fairly presented and comply with the relevant financial context. According to Akhalumeh et al. (2017), the main goal of an audit is to ensure the precision of these financial reports, with the absence of material errors being a key measure of audit quality. Financial reporting quality is viewed by Karajeh and Ibrahim (2017) as the annual report that most effectively reflects the performance of the company and the value of the shareholders. The three important attributes are transparency, comparability and full disclosure (Eyenubo et al. 2017).

The Nigerian economy is significantly influenced by its capital market, with quoted firms playing a crucial role in economic growth and development. Currently, the Nigerian Exchange Group (NGX) has 150 quoted companies across various sectors, including financial services, oil and gas, consumer goods, and industrial goods (Nigerian Exchange Group, 2025). The financial reporting quality of these firms is essential in ensuring transparency, investor confidence, and economic stability. Financial reporting quality refers to the extent to which financial statements accurately represent a firm's financial position, performance, and cash flows, adhering to

established accounting principles and regulatory standards (Auliyah & Agit, 2024). High-quality financial reporting enhances decision-making by investors, regulators, and other stakeholders, thereby reducing information asymmetry and financial misstatements (Sahi et al. 2022).

The relevance of financial reporting quality gained prominence following major corporate failures such as those of Enron and WorldCom in the early 2000s, which led to global regulatory interventions and the Sarbanes-Oxley Act of 2002 (Obeng-Nyarko, 2023). In Nigeria, the collapse of major financial institutions, including Oceanic Bank and Intercontinental Bank, underscored the need for stringent financial reporting standards and robust auditing mechanisms (Yahaya, 2024). The introduction of the International Financial Reporting Standards (IFRS) in 2012 aimed to improve reporting standards among quoted firms, yet concerns about earnings management, audit independence, and financial statement reliability persist (Uthman, 2021). Given these challenges, the attributes of audit firms, such as size, expertise, tenure, and fee structures, have become critical in assessing the credibility of financial reports (Alhazmi et al.2024).

An audit firm's attributes encompass various structural and functional characteristics that influence audit effectiveness and financial statement reliability (Izukwe & Jeroh, 2022). Attributes such as audit firm size, industry specialization, tenure, and audit fees have evolved due to increased regulatory scrutiny and the demand for higher audit quality (Alhazmi et al. 2024). Historically, the dominance of the "Big Four" audit firms—Deloitte,

PricewaterhouseCoopers, Ernst & Young, and KPMG—has been associated with higher financial reporting quality due to their superior expertise, resources, and global reputation (Alrudayni, 2023). However, concerns over audit independence arise when firms maintain long-term relationships with audit clients, leading to compromised objectivity and audit failures (Bappa & Yahaya, 2024). Similarly, high audit fees, while indicative of extensive audit procedures, may also create economic dependence on clients, potentially impairing audit independence and financial reporting integrity (Kaituko et al.2023).

Industry expertise is another critical factor, as audits with specialized knowledge in a particular sector are better equipped to detect financial misstatements and assess industry-specific risks (Khudhair et al. 2023). Audit firm tenure, the length of time an audit has been engaged with a client, has a dual impact—long tenures may lead to deeper understanding and improved audit quality but can also create familiarity threats that undermine audit independence (Kohlbeck & Wang, 2025). The implication of these attributes is that while certain audit characteristics can enhance financial reporting credibility, others may introduce risks of bias and reduced audit effectiveness. This is peculiar with the environment where the internal control is weak; such as Nigeria and other developing countries. Against this backdrop, this study aims to examine the effect of audit firm attributes on the financial reporting quality of quoted firms in Nigeria.

1.2 Statement of the Research Problem

Audit firm attributes play a critical role in ensuring the reliability, transparency, and credibility of financial reports. However, in Nigeria, concerns persist regarding the effectiveness of external audits in enhancing the financial reporting quality of quoted firms in Nigeria. Issues such as audit independence, excessive audit tenure, economic dependence due to audit fees, and lack of industry expertise have been linked to financial misstatements, earnings management, and weak corporate governance (Dijeh et al. 2022; Odubuasi et al. 2023). The collapse of major firms due to fraudulent financial reporting has further underscored the need to evaluate how audit firm attributes influence financial reporting integrity (Kolawole et al. 2023). Despite regulatory reforms such as the adoption of International Financial Reporting Standards (IFRS) and stricter oversight by the Financial Reporting Council of Nigeria (FRCN), issues of audit quality deficiencies remain prevalent in the country (Soroushyar, 2023). The inconsistency in financial reporting quality, largely attributed to varying audit firm characteristics, raises significant concerns that necessitate further empirical investigation.

Several studies have examined the effect of audit firm attributes on the financial reporting quality of quoted firms in Nigeria, yielding mixed and inconclusive findings. Some studies, such as those by Mesbah and Ramadan (2022), Soroushyar (2023), and Dijeh et al. (2022), report a positive relationship between audit attributes and financial reporting quality of quoted firms in Nigeria, suggesting that firms with reputable audits, specialized industry expertise, and higher

audit fees experience improved financial reporting credibility. This implies that strong audit firm attributes contribute to enhanced earnings quality, reduced financial misstatements, and greater investor confidence. Conversely, other studies, including those by Kolawole et al. (2023), Odubuasi et al. (2023), and Olagunju et al. (2024), identify a negative relationship, arguing that excessive audit tenure and high audit fees create familiarity threats, audit-client dependency, and compromised audit independence, leading to weaker financial reporting quality. These contrasting results highlight the need for further research to reconcile the divergent findings and establish a clearer understanding of how audit firm attributes affect financial reporting integrity in Nigeria.

1.3 Research Questions

Based on the above research problem, the following research questions are raised:

- i. How does audit firm size affect the financial reporting quality of quoted firms in Nigeria?
- ii. What is the impact of audit fees on the financial reporting quality of quoted firms in Nigeria?
- iii. To what extent does audit firm industry expertise influence the financial reporting quality of quoted firms in Nigeria?
- iv. What is the relationship between audit firm tenure and the financial reporting quality of quoted firms in Nigeria?

1.4 Research Objectives

The broad objective of this study is to examine audit firm attribute and financial reporting quality of quoted firms in Nigeria. The specific objectives include to:

- i. examine the effect of audit firm size on the financial reporting quality of quoted firms in Nigeria;
- ii. assess the impact of audit fees on the financial reporting quality of quoted firms in Nigeria;
- iii. evaluate the influence of audit firm industry expertise on the financial reporting quality of quoted firms in Nigeria; and
- iv. analyze the relationship between audit firm tenure and the financial reporting quality of quoted firms in Nigeria.

1.5 Research Hypotheses

The following null hypotheses shall be tested:

- i. Audit firm size has no significant effect on the financial reporting quality of quoted firms in Nigeria.
- ii. Audit fees have no significant impact on the financial reporting quality of quoted firms in Nigeria.

- iii. Audit firm industry expertise does not significantly influence the financial reporting quality of quoted firms in Nigeria.
- iv. Audit firm tenure has no significant relationship with the financial reporting quality of quoted firms in Nigeria.

1.6 Scope of the Study

The study focuses on audit firm attribute and financial reporting quality of quoted multinational firms in Nigeria. The choice of multinational firms is as a result of scarcity of researches on the effect of audit firm attribute on financial reporting quality of quoted multinational firms in Nigeria. The study will be confined to selected multinational firms quoted on the floor of the Nigerian Exchange Group (NGX) for the period 2019-2024 (6 years) to ensure uniformity of reporting systems and comparable financial data. The study will investigate the effect of audit firm size, audit fees, audit firm industry expertise, and audit firm tenure on financial reporting quality of quoted multinational firms in Nigeria. The study will make its observations based on the financial information provided by the selected quoted multinational firms in their annual reports and Nigerian Exchange Group (NGX) Factbook, which are publicly available to investors.

1.7 Significance of the Study

This study is significant as it provides empirical evidence on how audit firm attributes—audit firm type, audit fees, audit firm industry expertise, and audit firm tenure—affect the financial

reporting quality of quoted firms in Nigeria. Given the critical role of financial reporting in corporate transparency, investor confidence, and economic stability, understanding these relationships is essential for various stakeholders, including regulators, investors, corporate managers, audits, policymakers, and academia.

Regulators: Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC) will benefit from insights on how audit attributes impact financial reporting quality of quoted firms in Nigeria. This will guide policy formulation, improve audit oversight, and enhance compliance monitoring to strengthen financial reporting integrity and investor protection.

Investors: Investors rely on financial reports for informed decision-making, and this study will provide clarity on whether certain audit attributes enhance or diminish financial reporting quality of quoted firms in Nigeria. By understanding how audit firm type, audit fees, industry expertise, and tenure influence reporting credibility, investors can make better investment choices and mitigate risks associated with unreliable financial statements.

Corporate Managers: For corporate executives and board members, this research highlights how audit characteristics contribute to financial reporting quality of quoted firms in Nigeria. It will aid in selecting external audits who uphold financial statement credibility, ensuring

compliance with regulatory standards, enhancing corporate governance, and fostering long-term business sustainability.

Audits: Audit firms and professionals will benefit from this study by gaining insights into how their attributes—size, expertise, tenure, and fee structures—affect financial reporting quality of quoted firms in Nigeria. This will encourage audit firms to strengthen professional ethics, independence, and technical competence, ultimately improving audit effectiveness and credibility.

Policymakers: Government agencies and financial market regulators can use this study's findings to formulate policies that promote audit independence, enhance financial disclosure practices, and improve corporate governance standards. By understanding the influence of audit attributes on financial reporting quality of quoted firms in Nigeria, policymakers can introduce reforms that foster transparency, investor confidence, and economic stability.

Academia: Scholars and researchers will find this study valuable as it expands existing literature on audit quality and financial reporting by providing empirical evidence on the effect of audit firm attributes on financial reporting quality of quoted firms in Nigeria. It will serve as a reference for future research, contribute to academic debates on audit effectiveness, and provide insights for curriculum development in accounting, finance, and corporate governance studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is broken down into three sections. They are as follows: conceptual literature, theoretical literature, and empirical literature. The conceptual literature examines some concepts related to the subject matter, the theoretical literature examines some relevant theories related to the topic under study, and the empirical literature examines some previous studies that are closely related to this current study with their findings.

2.2 Conceptual Review

This section provides the conceptualisation of the dependent variable of financial reporting quality (as well as its measures), and the independent variables, including audit firm size, audit fees, audit firm industry expertise, and audit firm tenure.

2.2.1 Financial Reporting Quality

Financial reporting quality (FRQ) is fundamentally defined as the extent to which financial statements faithfully represent a firm's underlying economic conditions, free from bias, material misstatement, and distortions (Rathnayake Mudiyansele, 2020). High-quality financial reporting provides relevant, reliable, and transparent information that aids stakeholders such as investors, creditors, and regulators in making informed decisions (Mesioye & Bakare, 2024). The conceptual foundation of FRQ is grounded in the qualitative characteristics outlined by the

International Accounting Standards Board, including relevance, faithful representation, comparability, verifiability, timeliness, and understandability (IASB, 2018). These principles serve as a guide to ensure that financial reports reflect an accurate picture of a company's financial health. However, the application of these standards is often fraught with complexities due to the nature of business transactions and the use of managerial discretion in areas like revenue recognition and fair value measurements. For instance, the Enron scandal exemplifies the catastrophic consequences of compromised FRQ, where the company's use of Special Purpose Entities (SPEs) allowed it to hide debt and inflate earnings, misleading investors and leading to its eventual collapse (Mohandas, 2024).

In practice, the quality of financial reporting is not solely dependent on adherence to accounting standards but is also influenced by corporate strategies, managerial incentives, and market pressures (Abbott et al., 2016). Literature on earnings management has highlighted how firms may manipulate financial reports to meet short-term performance targets or market expectations, thereby undermining FRQ (Rennekamp et al., 2020). For example, WorldCom's fraudulent capitalization of operating expenses to inflate earnings revealed how managerial discretion could be misused to distort financial outcomes (Awodiran, 2022). Similarly, the 2008 financial crisis exposed widespread issues in FRQ, particularly in the banking sector, where complex financial instruments like mortgage-backed securities were misrepresented, contributing to systemic risk (Michel, 2023). These cases underscore the importance of ethical responsibility and robust

corporate governance in maintaining FRQ. Agency theory provides further insight, emphasizing how information asymmetries between managers and shareholders create opportunities for earnings manipulation, especially when performance-based compensation structures incentivize short-term gains over long-term value creation (Khandelwal et al., 2023). Thus, FRQ is a multifaceted construct shaped not only by technical accounting standards but also by the ethical and strategic decisions made within firms.

The assessment of FRQ requires a multidimensional approach that considers the interplay between managerial discretion, corporate governance, and external regulatory environments. Strong governance structures and effective oversight mechanisms can mitigate the risk of financial misreporting, while weak institutional frameworks can exacerbate it. Khan (2024) demonstrates that firms operating in jurisdictions with stringent investor protection and legal enforcement tend to exhibit higher FRQ, as the threat of legal consequences acts as a deterrent to manipulative practices. Conversely, firms in environments with lax regulations are more prone to earnings management and misreporting. Moreover, external audits play a critical role in ensuring FRQ by providing an independent assessment of a company's financial statements, though their effectiveness is often influenced by the rigor of regulatory oversight and potential conflicts of interest (Nguyen, 2024). Ultimately, FRQ is not just a matter of technical compliance but a reflection of broader ethical, managerial, and institutional dynamics that collectively shape the transparency and reliability of corporate financial reporting.

2.2.2 Measures of Financial Reporting Quality

Financial Reporting Quality (FRQ) is central to the integrity of financial markets, as it reflects how accurately and reliably financial statements represent a firm's economic performance and position (Jarrah et al., 2025). High-quality financial reporting enhances transparency, supports investor decision-making, reduces information asymmetry, and fosters efficient capital allocation (Mohammadiyan, 2024). The academic literature has proposed several measures to evaluate FRQ, with five key dimensions dominating the discourse: earnings quality, accrual quality, conservatism, value relevance, and timeliness (Bansal, 2024; Torsin & Bils, 2024). Each of these measures captures different aspects of FRQ, offering unique insights into how financial information reflects firm performance and informs stakeholders. This section critically examines these five measures. As enumerated above.

2.2.2.1 Earnings Quality

Earnings quality is one of the most prominent measures of financial reporting quality, focusing on the extent to which reported earnings reflect a firm's actual economic performance and serve as reliable predictors of future earnings (Thesing & Velte, 2021). High-quality earnings are characterized by their sustainability, informativeness, and absence of manipulation. Nissim (2021) conceptualize earnings quality through attributes such as persistence, predictability, smoothness, and accrual quality. Yahaya (2024) further emphasize that earnings distorted by managerial discretion, through accruals or real activities manipulation, compromise reporting

quality. The primary components of earnings quality include accrual-based earnings management, earnings persistence (the degree to which current earnings predict future earnings), and earnings smoothness (the reduction of earnings volatility). Metrics such as the modified Jones model (Costa & Soares, 2021) and earnings persistence coefficients are commonly used to evaluate these components. Despite its importance, earnings quality has been criticized for its subjectivity and vulnerability to manipulation (Jim-Suleiman & Ibiameke, 2021), as managers may exploit accounting flexibility to achieve desired earnings outcomes. Moreover, cross-country differences in accounting standards and enforcement can affect the comparability of earnings quality (Enomoto, 2020). The implications of earnings quality are significant: high-quality earnings promote investor trust, reduce information asymmetry, and lower the cost of capital, while poor-quality earnings are associated with misallocation of resources, investor misjudgments, and financial scandals (Saleh et al., 2022).

2.2.2.2 Accrual Quality

Accrual quality, a subset of earnings quality, specifically evaluates the reliability of the accrual component of earnings, reflecting how well accruals map to actual cash flows (Nezlobin et al., 2022). High accrual quality indicates that earnings accurately represent economic events, whereas poor accrual quality suggests estimation errors or opportunistic earnings management (Nezlobin et al., 2019). Dechow and Dichev (2002) developed a widely adopted model that regresses working capital accruals on past, present, and future cash flows, with the standard

deviation of residuals serving as a proxy for accrual quality. Francis et al. (2005) expanded this framework to include firm-specific risk factors, enhancing the robustness of the measure. Elements of accrual quality encompass discretionary and non-discretionary accruals, the precision of accrual estimates, and the volatility of accruals over time. Despite its popularity, the measure has been criticized for its dependence on complex econometric models and underlying assumptions, which may not fully capture firm-specific nuances (Sayrani et al., 2012). Industry-specific factors, operational complexity, and management discretion can also distort accrual quality assessments, limiting comparability across firms (Mesioye & Bakare, 2024). The implications of accrual quality are profound, as it directly impacts the reliability of reported earnings. Low accrual quality is often linked to aggressive earnings management, reduced transparency, and heightened information asymmetry, which can mislead investors and inflate firm valuations (Menicucci & Menicucci, 2020).

2.2.2.3 Conservatism

Accounting conservatism is a long-standing principle that influences financial reporting quality by promoting the timely recognition of losses while delaying the recognition of gains, thereby presenting a cautious view of a firm's financial position (Zhong & Li, 2017). Conservatism aims to protect investors by mitigating the risks of overstating assets or earnings. Bloom (2018) distinguish between conditional conservatism—where losses are recognized only when certain events occur—and unconditional conservatism, which embeds conservative estimates into

accounting practices regardless of external events. Metrics for measuring conservatism include Basu's (1997) asymmetric timeliness model, which assesses how quickly bad news is reflected in earnings compared to good news, and the book-to-market ratio (Dietrich et al., 2023). While conservatism enhances the reliability and verifiability of financial statements (Ruch & Taylor, 2015), it faces criticism for potentially distorting economic reality by systematically understating firm value (Orthaus et al., 2023). Excessive conservatism may lead to overly pessimistic financial statements, reducing their relevance to investors (Nguyen et al., 2022). Nevertheless, conservatism has significant implications for corporate governance and investor protection, as it limits managerial incentives to inflate performance and reduces litigation risks (Pradeep & Baag, 2024). It also enhances the credibility of financial reports, especially during economic downturns, by ensuring that losses are promptly recognized.

2.2.2.4 Value Relevance

Value relevance measures financial reporting quality by assessing the extent to which financial statement information is reflected in stock prices, thereby indicating its usefulness to investors in valuing firms (Dunham & Grandstaff, 2022). This market-based approach focuses on the association between accounting figures—such as earnings, book value of equity, and cash flows—and firm valuation (Srivastava & Muharam, 2021). A highly value-relevant financial report effectively conveys information that influences investor decisions and market behavior (Djamil, 2023). The most common method for assessing value relevance involves regression

analyses of stock prices on accounting variables, with the R-squared statistic indicating the proportion of stock price variation explained by financial data (Barth et al., 2023). However, value relevance has been criticized for its overreliance on market prices, which can be influenced by factors unrelated to accounting quality, such as investor sentiment or macroeconomic trends (Haidar, 2024). Furthermore, changes in market dynamics and investor preferences over time may affect the relationship between accounting information and stock prices (Goldstein, 2023). Despite these critiques, value relevance has important implications for standard setters and investors, as it highlights the need for accounting standards that enhance the decision-usefulness of financial reports. High value relevance indicates that financial statements effectively convey information that impacts market valuations, promoting efficient capital markets (Shan & Troshani, 2021).

2.2.2.5 Timeliness

Timeliness in financial reporting refers to the promptness with which financial information is disclosed to stakeholders, ensuring that users receive relevant and up-to-date data for decision-making (Johri, 2024). Timely reporting reduces information asymmetry, enhances market efficiency, and enables investors to make well-informed decisions based on current information (Auliyah & Agit, 2024). Key elements of timeliness include reporting lag—the time between the fiscal year-end and the release of financial statements—and the frequency of interim reports (Lawal & Shinozawa, 2024). Metrics commonly used to assess timeliness involve calculating the

number of days between a firm's fiscal year-end and its filing date (Ishak et al., 2024). Despite its importance, timeliness faces criticism due to the inherent trade-off between speed and accuracy; hastily prepared reports may contain errors or lack the necessary depth of analysis (Rathnayake Mudiyansele, 2020). Moreover, firms may strategically delay the release of negative information to manage investor reactions, thereby undermining the principle of timeliness (Chakraborty & Ewens, 2018). The implications of timeliness are significant for market participants, as prompt financial disclosures enhance transparency, reduce uncertainty, and support fair pricing in capital markets (Lestari et al., 2024). Regulatory bodies, such as the SEC, emphasize timely reporting to ensure that investors have access to crucial information when making investment decisions.

2.2.3 Audit Firm Attribute

This broadly refers to the distinct characteristics, qualities, and structural features inherent within audit firms that influence their audit practices, quality, and outcomes (Izukwe & Jeroh, 2022). These attributes encompass a wide range of elements, including but not limited to, the firm's size, industry specialization, reputation, organizational structure, and resource capabilities. Audit firm attributes play a critical role in shaping the audit's independence, objectivity, and overall audit quality, as they often determine the firm's capacity to detect and report material misstatements effectively (Yahaya, 2024). For instance, larger audit firms, typically the Big Four, are often perceived to deliver higher audit quality due to their extensive resources, broader expertise, and

stronger brand reputation (Francis, 2023). Conversely, smaller audit firms might struggle with resource constraints, potentially impacting their ability to conduct thorough audits (Barac et al., 2021). Moreover, the organizational culture and governance structures within audit firms significantly affect audits' professional judgment and ethical conduct (Sonjaya, 2024). For this study, audit firm size, audit fees, audit industry expertise, and audit firm tenure are adopted as the focus attributes, and thus reviewed in the ensuing sub-sections.

2.2.4 Dimensions of Audit Firm Attributes

Financial reporting quality (FRQ) plays a crucial role in ensuring transparency, reliability, and accuracy in financial statements, which are essential for decision-making by investors, regulators, and stakeholders. Numerous studies have identified various factors influencing FRQ, among which audit-related attributes stand out due to their direct involvement in the assurance process (DeFond & Zhang, 2014). This study focuses on four key audit firm attributes that significantly impact FRQ: audit firm size, audit fees, audit firm industry expertise, and audit firm tenure.

2.2.4.1 Audit Firm Size

Audit firm size is often used as a proxy for audit quality, with the assumption that larger firms provide higher quality audits due to their resources, reputation, and rigorous methodologies. According to Rajgopal et al. (2021), larger audit firms are less likely to compromise audit quality because they have more to lose in terms of reputation. Pham et al. (2025) further elaborate that

larger firms have superior resources, extensive training programs, and more standardized audit procedures, enhancing their ability to detect material misstatements.

Recent literature supports the notion that larger audit firms, particularly the Big Four (Deloitte, PwC, EY, and KPMG), are associated with higher FRQ. A study by Viana Jr et al. (2022) found that clients audited by Big Four firms exhibited lower levels of earnings management, indicating higher financial reporting quality. This is attributed to the enhanced expertise, strong internal controls, and the reputational risks faced by these firms. Moreover, large firms have global networks that enable them to handle complex multinational audits effectively (Ferguson et al., 2025).

However, some studies present a critical view of this association. For instance, Zhang et al. (2025) argue that large audit firms may face conflicts of interest, particularly when audit clients represent significant revenue streams. This economic dependence can compromise audit independence, potentially leading to lower FRQ. Furthermore, Chy and Hope (2021) highlights that the "deep pockets" of large firms may create moral hazard, where clients rely on the audit's reputation rather than the actual audit quality.

Empirical evidence also suggests that while Big Four audits are generally associated with higher FRQ, this relationship may vary across contexts. For example, in markets with weak legal enforcement, the quality differential between Big Four and non-Big Four audits diminishes

(Abid et al., 2018). Moreover, the premium fees charged by large firms may lead to client expectations of favorable reporting outcomes, potentially pressuring audits to acquiesce to management's aggressive accounting practices (Zhang et al., 2022).

2.2.4.2 Audit Fees

Audit fees, representing the remuneration paid to audits for their services, are another critical determinant of FRQ. Simunic (1980) initially conceptualized audit fees as a function of audit effort and client-specific risk (Mottinger, 2024). More recent definitions, such as by Widmann et al. (2021), view audit fees as a reflection of the audit's perceived risk and the complexity of the audit engagement. High audit fees can indicate a thorough and high-quality audit due to increased effort, but they can also raise concerns about audit independence, particularly when fees constitute a substantial portion of the audit's revenue.

Several studies highlight the positive aspects of higher audit fees on FRQ. For instance, Knechel et al. (2015) find that higher audit fees are often associated with more extensive audit procedures, leading to improved detection of material misstatements. Similarly, Stanley (2011) shows that higher audit fees correlate with lower levels of discretionary accruals, suggesting enhanced financial reporting quality. These findings align with the argument that higher remuneration incentivizes audits to allocate more resources and effort to ensure audit quality.

Conversely, there is significant literature highlighting the risks associated with high audit fees. Edwards and West (2021) warned of the “economic bonding” between audits and clients, where significant audit fees may compromise audit independence. This concern is particularly pronounced in the context of “fee dependency,” where audits may be reluctant to challenge management judgments for fear of losing lucrative contracts (Blay & Geiger, 2013). Hossain and Wang (2023) supports this by showing that higher abnormal audit fees, which exceed expected levels, are associated with reduced audit quality and increased earnings management.

Additionally, the issue of fee pressure has been discussed in recent studies. Eshleman and Guo (2014) highlight that intense competition in the audit market has led to downward pressure on fees, potentially compromising audit quality as firms cut corners to remain profitable. Moreover, low-balling practices, where audits initially charge low fees to secure clients with the intention of increasing them later, can also impair FRQ (Liu et al., 2017).

2.2.4.3 Audit Firm Industry Expertise

Audit firm industry expertise refers to the audit's deep knowledge and experience within a specific industry, which enhances their ability to detect misstatements and assess complex transactions (Dekeyser et al., 2024). Lopez et al. (2022) define industry expertise as the audit's ability to deliver higher audit quality due to specialized knowledge of industry-specific accounting practices. Donatella (2022) further elaborate that industry experts are better equipped to detect nuanced irregularities and provide more accurate financial reporting assessments.

Empirical studies consistently show a positive relationship between industry expertise and FRQ. For example, Hsu and Liao (2023) finds that audits with industry expertise are associated with lower levels of earnings management, indicating higher audit quality. Similarly, Al-Qadasi et al. (2023) demonstrate that clients audited by industry specialists exhibit higher market valuations, reflecting investor confidence in the quality of financial reporting. Industry expertise also enables audits to provide valuable insights and recommendations, improving both compliance and financial statement accuracy (Cohen et al., (2014).

However, there are critical perspectives regarding the over-reliance on industry expertise. Barac et al. (2016) argue that familiarity risks may arise when audits become too entrenched within an industry, potentially leading to complacency and reduced professional skepticism. This is supported by the findings of Green et al. (2019), who report that excessive industry familiarity can sometimes result in audits overlooking misstatements due to overconfidence in their knowledge.

Moreover, industry specialization may lead to increased audit fees, as specialized audits often charge a premium for their services (Scott & Gist, 2013). While this can reflect higher audit quality, it may also raise concerns about fee dependency and its implications for audit independence. Additionally, in highly complex industries, even specialized audits may struggle to keep pace with rapidly evolving regulations and business practices, potentially undermining audit quality (Barac et al., 2016).

2.2.4.4 Audit Firm Tenure

Audit firm tenure, defined as the length of time an audit firm has been engaged with a particular client, is a widely debated determinant of FRQ. Garcia-Blandon and Argiles (2015) posited that longer audit tenure could lead to audit complacency and reduced independence, thereby compromising audit quality. However, Kolawole (2019) argue that extended tenure allows audits to gain deeper knowledge of the client's operations, enhancing their ability to detect irregularities and improve FRQ.

Empirical evidence on audit tenure presents mixed findings. On the positive side, Kalabeke et al. (2019) find that longer audit tenure is associated with lower levels of earnings management, suggesting improved financial reporting quality. Similarly, Berisha (2021) argue that extended audit-client relationships enhance audit knowledge and efficiency, leading to more effective audits. This perspective is supported by Singer and Zhang (2018), who report lower audit failure rates in cases of longer audit tenure.

Conversely, several studies highlight the risks associated with prolonged audit tenure. For example, O'Donnell (2016) finds that extended audit-client relationships can lead to a decline in professional skepticism, increasing the likelihood of misstatements going undetected. Similarly, Payne and Williamson (2021) report that longer tenure is correlated with higher levels of discretionary accruals, suggesting reduced audit quality. The risk of audit familiarity impairing

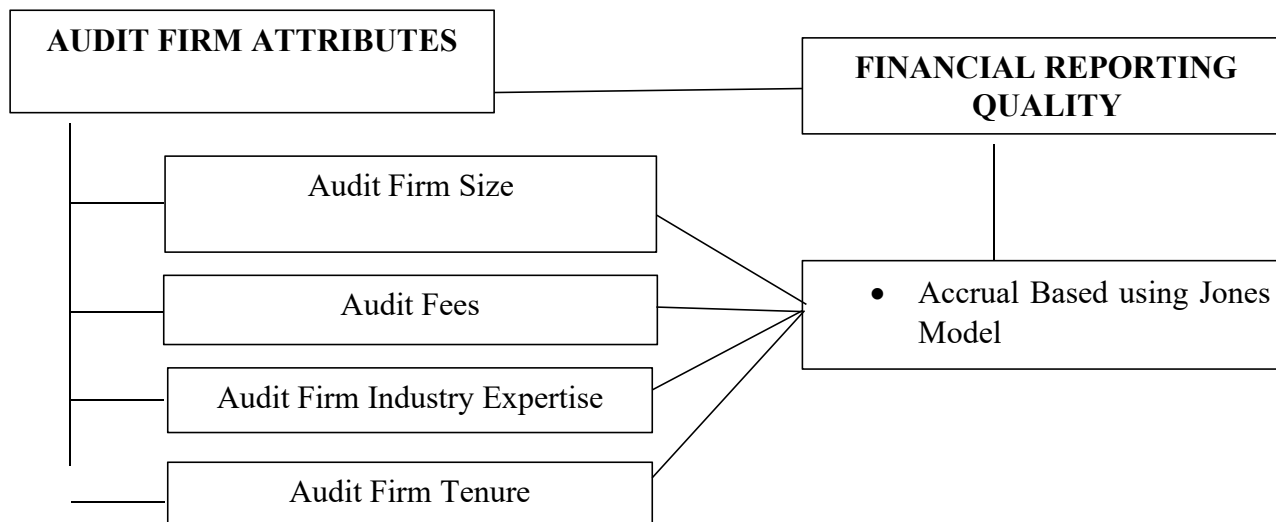
independence has led many regulators to advocate for mandatory audit rotation to mitigate these risks (Fathi & Rashed, 2021).

However, mandatory rotation itself has been criticized. Deliu and Olariu (2023) argue that frequent audit rotation may lead to a loss of client-specific knowledge, resulting in lower audit quality, particularly in the initial years of the engagement. This is supported by Horton et al. (2021), who find that audit quality often declines immediately following audit changes due to the learning curve associated with new client engagements.

2.3 Conceptual Framework

The conceptual framework which links the independent variables (audit firm size, audit fees, audit firm industry expertise, and audit firm tenure) of the study to the dependent variable (financial reporting quality) is presented in figure 2.1.

Figure 2.1 Conceptual Framework



Source: Researcher's conceptual framework (2025).

Figure 2.1 presents the conceptual framework of the study which posits a theoretical relationship between selected audit firm characteristics—namely audit firm size, audit fees, audit firm industry expertise, and audit firm tenure—and financial reporting quality, which serves as the dependent variable. This framework suggests that larger audit firms, due to their greater resources and stronger reputational incentives, are more likely to produce higher-quality audits that enhance the reliability of financial reports. Similarly, higher audit fees may reflect more extensive audit work or specialized services that contribute to improved financial reporting outcomes. Audit firm industry expertise is assumed to strengthen auditors' understanding of industry-specific risks and accounting treatments, thereby fostering more accurate and compliant

financial statements. Additionally, the duration of the auditor–client relationship (audit firm tenure) is hypothesized to have a dual effect—potentially enhancing reporting quality through familiarity in the short term, but risking independence and objectivity over prolonged engagements.

2.4 Theoretical Review

2.4.1 Agency Theory

Agency theory, introduced by Jensen and Meckling (1976), serves as a foundational framework in corporate governance, explaining the relationship between principals (shareholders) and agents (management). The theory highlights the inherent conflict of interest that arises when agents prioritize personal objectives over those of the principals, leading to agency costs. In the context of financial reporting, this conflict can manifest through managerial opportunism, where executives might manipulate financial statements to meet personal goals, such as achieving performance targets linked to compensation (Fama & Jensen, 1983). The need for effective monitoring mechanisms, such as external audits, becomes essential to align management actions with shareholder interests. In Nigeria, where corporate governance structures often face challenges due to regulatory inefficiencies and weak enforcement (Okolie, 2014), agency theory provides a pertinent lens to analyze how audit firm attributes influence financial reporting quality.

Critically evaluating agency theory reveals its depth and limitations in explaining the complexities of financial reporting. Scholars such as Eisenhardt (1989) argue that while the

theory offers valuable insights into principal-agent dynamics, it often oversimplifies the motivations and behaviors within firms. For instance, it assumes rational behavior from all actors, ignoring socio-cultural and ethical considerations that may influence decision-making (Daily et al., 2003). Further, Coffee (2006) highlights that agency theory underestimates the role of institutional frameworks in shaping corporate governance practices. In the context of audit quality, DeFond and Zhang (2014) emphasize that while high-quality audits can mitigate agency problems by enhancing financial reporting credibility, the effectiveness of audits is contingent upon regulatory support and audit independence (Francis, 2011). Moreover, research by Gul et al. (2010) demonstrates that firm-specific factors, such as audit firm size and industry specialization, significantly impact audit quality and, by extension, financial reporting. Critiques also suggest that agency theory's focus on self-interest may overlook the role of trust and relational contracting in audit-client interactions (Lubatkin et al., 2007). Despite these criticisms, the theory remains widely applied, primarily due to its clarity in articulating the monitoring role of audits within the principal-agent framework (Jensen, 1993).

In relation to the study of audit firm attributes and financial reporting quality in Nigerian listed firms, agency theory provides a robust analytical framework. Nigerian firms, often operating in an environment with weak enforcement of corporate governance codes (Ofoegbu & Okoye, 2016), present a fertile ground for agency conflicts, particularly in financial reporting practices. Audit firm attributes, such as size, industry expertise, and independence, play a critical role in

mitigating these conflicts. For example, larger audit firms with international affiliations may offer higher-quality audits, reducing the likelihood of financial misstatements (Okolie, 2014). Additionally, the independence of audits—both in appearance and in fact—remains a key determinant in upholding the integrity of financial reports (Ogbonna & Ebimobowei, 2012). Agency theory underscores the importance of these attributes as mechanisms for monitoring management behavior and enhancing the credibility of financial statements. However, given Nigeria’s unique institutional challenges, the dynamics of audit-client relationships may extend beyond traditional agency theory explanations, necessitating consideration of cultural and regulatory factors that influence audit quality and financial reporting (Izedonmi & Mgbame, 2011). Thus, while agency theory provides valuable insights into the relationship between audit attributes and financial reporting quality, its application must be contextualized within Nigeria’s distinct corporate environment.

2.4.2 Signaling Theory

Signalling theory, initially developed by Spence (1973), focuses on the transmission of information between parties where asymmetry exists. In the context of corporate finance and governance, signalling theory highlights how companies use observable indicators to reduce information asymmetry between management and external stakeholders (Connelly et al., 2011). The theory is particularly relevant in settings with weak institutional frameworks, such as Nigeria, where investors may struggle to assess the true quality of financial reports due to limited

transparency (Ibrahim & Aziz, 2018). Auditing, as a signalling mechanism, serves to bridge this information gap, as high-quality audits signal reliable financial reporting to investors and regulators (DeFond & Zhang, 2014). In Nigeria's capital markets, where concerns over corporate governance and reporting credibility persist (Olowokure et al., 2016), the attributes of auditing firms—such as reputation, size, and industry specialization—become critical signals of financial reporting quality.

A critical evaluation of signalling theory reveals both its strengths and limitations in explaining the relationship between audit firm attributes and financial reporting quality. Several studies underscore its effectiveness in illustrating how firms use external audits as credibility-enhancing mechanisms (Huang et al., 2019; Lennox & Pittman, 2011). High-reputation audit firms, particularly Big Four audits, often signal superior financial reporting quality due to their stringent audit practices and reputational concerns (Francis, 2011; Lawrence et al., 2011). However, critics argue that signalling theory oversimplifies complex audit-client relationships, neglecting issues like audit independence and regulatory pressures (Hope et al., 2012; Knechel et al., 2015). Moreover, in emerging markets like Nigeria, the effectiveness of audit signals may be weakened by institutional voids and the prevalence of weak enforcement mechanisms (Okolie, 2014; Osemene, 2018). Scholars also highlight that while signalling provides insights into how audit firm attributes are perceived, it falls short of explaining how these attributes translate into actual improvements in financial reporting quality (Ghosh & Moon, 2010; Choi et al., 2010).

In the Nigerian context, signalling theory offers a valuable framework for understanding how audit firm attributes influence financial reporting quality, albeit with limitations. Given the challenges of information asymmetry and weaker regulatory enforcement in Nigeria, the reputation and size of audit firms play crucial roles in shaping investor perceptions (Uwalomwa et al., 2018). Big Four audit firms, for instance, serve as strong signals of credible financial reporting, fostering investor confidence and potentially lowering firms' cost of capital (Enekwe et al., 2020). However, the dynamics of signalling in Nigeria are complex, as audit quality signals can be distorted by issues like audit-client economic dependence and the lack of stringent oversight (Adeniyi & Mieseigha, 2019). Furthermore, cultural and institutional factors unique to Nigeria may influence how audit firm attributes are interpreted, suggesting that signalling theory should be applied alongside complementary frameworks, such as agency theory or institutional theory, to fully capture the nuances of financial reporting quality in this setting (Adeyemi & Fagbemi, 2016).

2.4.3 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory, pioneered by Barney (1991), posits that an organization's sustainable competitive advantage arises from its unique internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN). Rooted in the strategic management field, RBV shifts focus from external market conditions to the internal dynamics of firms (Wernerfelt, 1984). In the context of professional services such as auditing,

this theoretical lens highlights how firm-specific attributes—such as audit expertise, firm size, reputation, and technological capabilities—can influence service quality and, by extension, client outcomes. Particularly in developing economies like Nigeria, where institutional weaknesses may challenge regulatory enforcement, the distinct resources held by audit firms can become pivotal in enhancing the quality of financial reporting (Okolie et al., 2019). As the Nigerian capital market continues to mature, understanding how audit firm attributes, conceptualized through RBV, contribute to financial reporting quality becomes increasingly significant (Egbunike & Odum, 2018).

Critically evaluating the RBV, several scholars have expanded upon and critiqued its foundational assumptions. Barney (1991) emphasized the VRIN framework, but later studies have debated the practical application of these criteria. Peteraf and Barney (2003) argue that while the theory provides a strong conceptual basis for internal resource analysis, it often overlooks the dynamic nature of competitive markets. In the auditing sector, this criticism is pertinent, as audit quality is influenced not only by firm-specific resources but also by regulatory and market pressures (Francis, 2011). Priem and Butler (2001) contend that RBV lacks specificity in explaining how resources translate into competitive advantage, a gap that becomes evident when examining the intangible assets of audit firms, such as professional expertise and ethical standards (DeFond & Zhang, 2014). Moreover, the theory's inward focus has been critiqued for underestimating the importance of inter-organizational relationships and industry

norms (Suddaby et al., 2009). Nonetheless, several studies affirm the theory's relevance; for instance, Knechel et al. (2015) highlight that audit firms with superior technological resources and knowledge management systems consistently deliver higher-quality audits, supporting the RBV's central claim.

In relation to the study of audit firm attributes and financial reporting quality in Nigeria, the RBV provides a robust theoretical framework for analyzing how internal firm capabilities affect audit outcomes. Given the heterogeneous nature of audit firms in Nigeria, varying significantly in size, expertise, and reputation, RBV facilitates understanding of how these differences impact the quality of financial reports (Egbunike & Odum, 2018). Larger firms, often endowed with extensive resources and global networks, may offer higher audit quality compared to smaller local firms, aligning with the VRIN criteria (Okolie et al., 2019). Additionally, in an environment where regulatory oversight may be inconsistent, the internal ethical standards and professional competence of audit firms become critical resources influencing audit quality (Olowokure et al., 2016). Thus, RBV not only highlights the importance of firm-specific attributes in determining financial reporting quality but also underscores the competitive advantage that resource-rich firms possess in the Nigerian audit market.

2.4.4 Institutional Theory

Institutional theory, first articulated by Meyer and Rowan (1977) and later expanded by DiMaggio and Powell (1983), emphasizes how organizational structures and practices are shaped not merely by economic efficiency but also by the social and cultural norms within which organizations operate. The theory posits that firms conform to institutional pressures to gain legitimacy, resources, and survival prospects in their respective environments. In the context of auditing and financial reporting, institutional theory provides a lens through which the behaviors of audit firms and listed companies can be examined, especially concerning the influence of regulatory frameworks, professional norms, and market expectations on reporting quality (Scott, 2014). In emerging economies like Nigeria, where institutional environments are often characterized by regulatory weaknesses and socio-political influences, understanding the dynamics between audit firm attributes and financial reporting quality through the institutional theory framework is particularly salient (Adegbe & Fakile, 2019).

Institutional theory identifies three primary forms of isomorphism—coercive, mimetic, and normative—that drive organizational conformity (DiMaggio & Powell, 1983). Coercive isomorphism stems from formal and informal pressures from regulators and stakeholders (Albu et al., 2017), while mimetic isomorphism arises when firms imitate peers in uncertain environments to maintain legitimacy (Islam & Hu, 2012). Normative isomorphism, on the other hand, is influenced by professional standards and the education of professionals (Suddaby et al., 2015). In the auditing context, these mechanisms explain how audit firm characteristics, such as

size, reputation, and specialization, affect financial reporting quality (Francis, 2011; DeAngelo, 1981). Larger audit firms, for instance, often command higher legitimacy and tend to enforce stricter compliance with reporting standards (Okolie, 2014), while specialized audits may bring enhanced industry-specific knowledge that improves reporting quality (Ishola & Akanni, 2016). Moreover, regulatory pressures in Nigeria, such as those from the Financial Reporting Council, drive coercive isomorphism, pushing firms to align with international financial reporting standards (IFRS) despite challenges in enforcement (Adeyemi & Fagbemi, 2010). Yet, mimetic practices often emerge, with firms copying the reporting practices of market leaders regardless of actual compliance quality (Uadiale, 2012), leading to variability in reporting standards.

Applying institutional theory to the relationship between audit firm attributes and financial reporting quality in Nigeria reveals the complex interplay of institutional forces shaping reporting outcomes. In Nigeria's institutional landscape, where regulatory oversight is evolving but still faces implementation gaps, coercive pressures may be weaker compared to developed markets (Iyoha & Oyerinde, 2010). As such, the quality of financial reporting is heavily influenced by normative and mimetic isomorphic pressures, with firms often relying on the legitimacy associated with Big Four audits to enhance credibility (Ijeoma, 2015). However, studies suggest that the mere engagement of reputable audits does not always guarantee higher reporting quality due to institutional voids and the prevalence of informal practices (Adegbe & Fakile, 2019; Olayinka, 2019). The institutional context also affects audit independence and

professional skepticism, critical components of audit quality (Ogbonna & Appah, 2012). Thus, institutional theory not only highlights the role of audit firm attributes but also contextualizes the broader socio-economic and regulatory factors that mediate the relationship between audit quality and financial reporting in Nigeria.

2.4.5 Agency Theory

Agency theory is adopted as the theoretical framework for this study due to its robust explanatory power in analyzing the relationship between audit firm attributes and the financial reporting quality of listed firms in Nigeria. The theory, as proposed by Jensen and Meckling (1976), emphasizes the inherent conflicts of interest between principals (shareholders) and agents (management), where managers may engage in opportunistic behaviors, such as earnings manipulation, to serve personal interests at the expense of shareholders (Fama & Jensen, 1983). In this context, external audits act as monitoring mechanisms designed to reduce agency costs by enhancing the credibility and reliability of financial statements (DeFond & Zhang, 2014). The selection of agency theory is particularly justified in the Nigerian corporate environment, where weak regulatory enforcement and prevalent corporate governance challenges exacerbate agency conflicts (Okolie, 2014). By applying this theory, the study critically examines how specific audit firm attributes—such as size, tenure, fees, and industry specialization—can mitigate information asymmetry and improve financial reporting quality (Francis, 2011). This framework not only provides a structured approach to understanding the dynamics between audits and

management but also offers insights into how stronger audit practices can serve as effective governance tools in contexts with elevated agency risks.

2.6 Empirical Review

2.6.1 Audit Firm Size and Financial Report Quality

Audit firm size has been extensively studied in relation to its impact on the quality of financial reporting across various sectors and countries. A number of empirical studies have explored this relationship, highlighting both positive and inconclusive effects depending on contextual factors such as industry type, regulatory environment, and moderating variables.

Akombende and Chukwu (2024) investigated the effect of audit firm characteristics, including audit firm size, on the financial reporting quality of listed deposit money banks in Nigeria. Using data from four sampled banks covering the period from 1999 to 2021, the study applied descriptive statistics and linear multiple regression based on the Ordinary Least Squares (OLS) method. The findings indicated that audit firm size has a positive and significant effect on financial reporting quality. This suggests that larger audit firms, likely due to their superior resources, technical expertise, and stricter adherence to auditing standards, contribute to higher financial reporting quality in the banking sector. Conversely, audit fees and audit tenure were found to negatively and significantly impact reporting quality, pointing to potential issues of audit complacency or compromised independence over prolonged engagements.

In a similar vein, Jerry and Saidu (2018) explored the impact of audit firm size on the financial reporting quality of listed insurance companies in Nigeria. Analyzing data from 13 out of 32 listed insurance firms over an eight-year period (2008–2015), the study utilized descriptive statistics, Pearson correlation, and OLS multiple regression techniques. The results demonstrated a positive and significant relationship between audit firm size and financial reporting quality, with a coefficient of 0.10012. This reinforces the notion that larger audit firms provide higher quality audits, potentially due to their enhanced reputation, rigorous audit processes, and greater independence.

Oyedokun et al. (2020) examined audit characteristics, including audit firm size, in relation to the financial reporting quality of listed consumer goods companies in Nigeria. Employing an ex-post facto research design and analyzing data from 21 firms over the period 2009–2018, the study applied descriptive statistics and OLS panel regression techniques. The findings revealed that audit firm size has a significant positive effect on financial reporting quality. This supports the assertion that larger audit firms contribute positively to the reliability of financial statements. Additionally, the study highlighted a significant negative impact of audit tenure on financial reporting quality, while audit type did not show a significant effect.

Contrastingly, Suryani et al. (2023) conducted a study to assess the influence of audit firm size and audit tenure on the detection of fraudulent financial statements among 140 manufacturing companies listed on the Indonesia Stock Exchange from 2014 to 2015. Utilizing SPSS for data

analysis and applying multiple regression, the study found that audit firm size did not have a significant effect on most indicators of fraudulent financial reporting, such as the Sales Growth Index (SGI) and Gross Margin Index (GMI). However, audit firm size showed a significant effect when measured by the Depreciation Index (DEPI), suggesting that larger firms might be more adept at detecting specific forms of financial manipulation. This indicates that while audit firm size can contribute to fraud detection, its effectiveness may vary depending on the financial statement indicators used.

Yayangida et al. (2023) explored the moderating role of audit committee independence on the relationship between audit firm size and financial reporting quality among 30 listed non-financial services firms in Nigeria. Using data from 2011 to 2021 and applying descriptive statistics, correlation, and regression analyses, the study found that audit firm size significantly improves financial reporting quality when moderated by audit committee independence. This highlights the importance of governance structures in enhancing the positive effects of larger audit firms on financial reporting quality.

2.6.2 Audit Fees and Financial Report Quality

Audit fees, as a proxy for audit quality, have been a focal point in empirical studies investigating their influence on financial reporting quality. The relationship between audit fees and the quality of financial reports has yielded mixed findings across different sectors and geographical contexts, highlighting the complexity of this association.

Mesbah and Ramadan (2022) explored the effect of audit quality on financial reporting quality in firms listed on the Egyptian Stock Market. Using audit fees, audit tenure, and audit firm size as proxies for audit quality, and earnings management and accounting conservatism as indicators of financial reporting quality, the study analyzed 608 firm-year observations from 152 firms over the period 2016–2020. The results revealed a positive and significant relationship between audit fees and financial reporting quality, indicating that higher audit fees, which often reflect more thorough and extensive audit procedures, contribute to improved reporting quality. However, audit tenure showed a negative relationship, suggesting potential audit complacency over time, while audit firm size positively impacted financial reporting quality.

Similarly, Odubuasi et al. (2023) examined audit attributes, including audit fees, in relation to the financial reporting quality of 35 financial service firms listed on the Nigerian Exchange Group from 2011 to 2020. Using descriptive statistics, correlation, and panel regression analysis, the study found that audit fees had a significant negative effect on financial reporting quality. This finding suggests that higher audit fees might not necessarily enhance reporting quality in the Nigerian financial sector, potentially due to fee dependence compromising audit independence. Other variables such as joint audit and audit tenure were found to have negative but insignificant effects, while audit type exhibited a negative, non-significant relationship with financial reporting quality.

In contrast, Emovon and Ogbonmwan (2024) analyzed the impact of audit firm characteristics on audit quality among 12 quoted deposit money banks in Nigeria between 2013 and 2022. Employing feasible generalized least squares regression analysis, the study found that audit fees and audit rotation had a positive and significant impact on audit quality, which in turn is often linked to enhanced financial reporting quality. This suggests that higher audit fees can be indicative of a more diligent audit process, particularly when coupled with regular audit rotation that mitigates the risks of audit-client familiarity.

Kajola et al. (2021) also examined audit firm characteristics, including audit fees, in relation to financial reporting quality among 11 Nigerian deposit money banks from 2007 to 2018. Using random effects generalized least squares regression, the study revealed a negative and significant relationship between audit fees and financial reporting quality, particularly in relation to earnings management. This indicates that higher audit fees might not always correspond with improved reporting quality, possibly due to audits becoming economically dependent on clients, leading to reduced audit skepticism.

A broader regional perspective was provided by Witjaksono and Leidessya (2024), who studied the interplay between firm size, audit fees, and audit firm size on financial reporting quality across 164 manufacturing companies in ASEAN countries from 2018 to 2021. Using pooled data regression and Kruskal-Wallis nonparametric analysis, the study found that audit fees had a significant negative effect on financial reporting quality, similar to the findings in some Nigerian

studies. This suggests that in certain contexts, higher audit fees may undermine audit independence, leading to compromised financial reporting. Additionally, the study highlighted significant variations in financial reporting quality across ASEAN countries, reflecting differences in regulatory environments and audit practices.

Daferighe and George (2020) focused on quoted manufacturing firms in Nigeria, examining the effect of audit firm attributes, including audit fees, on financial reporting quality from 2011 to 2015. Using multiple regression analysis, the study found that audit fees had a significant positive effect on financial reporting quality, indicating that higher audit fees may reflect more extensive and higher-quality audit services. However, audit firm size and audit delay were found to have an insignificant effect on financial reporting quality, suggesting that factors beyond firm size and timeliness might play a more pivotal role in determining the quality of financial statements.

2.6.3 Audit Firm Industry Expertise and Financial Report Quality

Audit firm industry expertise has been a focal point in the auditing literature due to its potential influence on financial reporting quality. The assumption is that audits with specialized industry knowledge are better equipped to detect misstatements, understand complex transactions, and apply relevant auditing standards, thereby enhancing the quality of financial reports. However, empirical findings on the effectiveness of audit industry expertise in improving financial

reporting quality remain mixed, varying based on industry complexity, regional contexts, and methodological approaches.

Soroushyar (2023) conducted a study examining how client business strategy moderates the relationship between audit characteristics—specifically industry specialization and audit tenure—and financial reporting quality. Using data from 145 companies listed on the Tehran Stock Exchange (TSE) over a ten-year period (2011–2020), the study employed multivariate regression and panel data analysis. Audit industry specialization was found to have a positive and significant effect on financial reporting quality, suggesting that specialized audits are more adept at detecting earnings management, particularly when clients deviate from industry norms in their business strategies. Additionally, audit tenure exhibited a positive relationship with financial reporting quality, which was further strengthened when firms adopted non-standard business strategies. These findings underscore the importance of both audit expertise and contextual business factors in enhancing financial reporting outcomes.

Conversely, Dijeh et al. (2022) explored the effect of various audit attributes, including industry specialization, on the financial reporting quality of Nigerian insurance companies. Covering 22 firms from 2011 to 2020, the study utilized fixed and random effects panel regression models, guided by the Hausman test for model selection. Contrary to expectations, the findings revealed that audit industry specialization had a negative but statistically insignificant effect on financial reporting quality. This result suggests that, in the Nigerian insurance sector, specialized audits

may not necessarily provide higher quality audits, possibly due to regulatory lapses or market inefficiencies. Moreover, the study found that audit fees had a significant inverse relationship with reporting quality, while other variables like audit tenure and joint audits also showed negative but insignificant impacts.

Ali and Aulia (2015) investigated the influence of audit firm size and audit industry specialization on audit quality in Indonesian State-Owned Enterprises (SOEs), a sector historically plagued by financial misreporting. Analyzing 108 financial statements from 36 SOEs between 2010 and 2012, the study found that neither audit firm size nor audit industry specialization significantly affected audit quality. This was particularly concerning given the history of financial statement manipulations within SOEs, leading to disciplinary actions against several audits. The insignificant findings point to systemic issues, such as weak regulatory oversight or compromised audit independence, that may negate the expected benefits of industry specialization.

Butar-Butar and Indarto (2018) offered a nuanced perspective by examining the role of audit industry expertise in complex business environments. The study employed a two-step analysis focusing on earnings persistence and absolute abnormal accruals as proxies for financial reporting quality. The results indicated that firms in complex industries generally exhibited lower earnings persistence and higher abnormal accruals compared to firms in non-complex industries, regardless of whether the audit was a specialist. This suggests that in highly complex

environments, even specialized audits struggle to mitigate earnings management effectively. The study highlights the limitations of industry expertise in contexts where the complexity of financial transactions may overwhelm even the most experienced audits.

2.6.4 Audit Firm Tenure and Financial Report Quality

Audit tenure—the length of time an audit or audit firm has been engaged by a client—has been extensively studied in the auditing literature due to its potential implications for audit quality and financial reporting quality. The core debate revolves around whether longer audit tenures enhance audit expertise and understanding of the client’s business, thereby improving audit quality, or if prolonged tenures compromise audit independence, leading to lower-quality financial reporting. Empirical findings on this issue remain mixed, as evidenced by various studies conducted in different sectors and countries.

Lamido et al. (2022) investigated the effect of audit firm characteristics, including audit tenure, on the financial reporting quality of listed consumer goods firms in Nigeria. Using agency theory as the study’s theoretical framework, the researchers analyzed data from 12 out of 21 consumer goods firms listed on the Nigerian Exchange Group over a 15-year period (2006–2020). Financial reporting quality was measured using discretionary accruals, while audit tenure, audit opinion, and audit rotation were used as key independent variables. The study employed multiple regression analysis and found that audit tenure had a positive and significant effect on financial reporting quality. This suggests that longer audit tenures allowed audits to gain a deeper

understanding of their clients' businesses, leading to more accurate and reliable financial reports. Notably, the study also highlighted that audit opinion and audit rotation similarly had significant positive effects, while audit independence and general audit quality did not show significant associations.

In contrast, Olagunju et al. (2024) explored the influence of audit firm attributes, including audit tenure, on earnings management and audit quality among 30 Nigerian manufacturing firms over a 12-year period (2010–2021). Utilizing panel regression analysis, the study found that audit tenure had a negative and significant relationship with earnings management, as evidenced by a t-statistic of -3.24 and a p-value of 0.002. This result suggests that longer audit tenures were associated with lower levels of earnings management, indicating improved financial reporting quality. However, the study also revealed a negative and significant association between audit tenure and audit fees, suggesting that prolonged engagements could lead to fee discounts due to long-term relationships, which may, over time, threaten audit independence. The study concluded that audit tenure plays a crucial role in mitigating earnings management but cautioned against potential risks to audit objectivity over extended engagements.

Ogungbade et al. (2021) examined the effect of audit quality, including audit tenure, on the financial reporting quality of deposit money banks listed on the Nigerian Stock Exchange over a ten-year period (2009–2018). Using a random effects model, the study found that while audit tenure influenced financial reporting quality, its effect was not statistically significant. Only

audit fees had a significant impact on financial reporting quality, suggesting that the length of audit-client relationships alone might not be sufficient to ensure high-quality audits in the banking sector. This finding points to the possibility that other factors, such as audit firm size and regulatory oversight, may play a more significant role in influencing financial reporting quality than audit tenure alone.

Yayangida et al. (2023) provided a more nuanced perspective by examining the moderating role of audit committee independence in the relationship between audit tenure and financial reporting quality among 30 listed non-financial services firms in Nigeria from 2011 to 2021. Using multiple regression analysis, the study found that audit tenure on its own had no significant effect on financial reporting quality. However, when audit committee independence was introduced as a moderating variable, the effect of audit tenure became statistically significant. This suggests that the presence of an independent audit committee can mitigate potential risks associated with long audit tenures, such as reduced audit skepticism or over-familiarity with the client, thereby enhancing financial reporting quality. The findings highlight the importance of corporate governance mechanisms in ensuring that extended audit tenures do not compromise audit quality.

Table 2.1 Summary of Empirical Review

S/NO	Author(s)	Year	Topic	Methodology	Findings
14	Ali & Aulia	2015	Audit Firm Size, Audit Industry Specialization & Audit Quality	Analysis of 108 financial statements from 36 Indonesian SOEs (2010–2012)	Audit firm size and audit industry specialization have no significant effect on audit quality.
2	Jerry & Saidu	2018	Audit Firm Size and Financial Reporting Quality	Descriptive statistics, Pearson correlation, and OLS regression; 13 insurance firms (2008–2015)	Audit firm size has a positive and significant impact on financial reporting quality (coefficient = 0.10012).
15	Butar-Butar & Indarto	2018	Audit Industry Expertise and Audit Quality in Complex Industries	Two-step analysis (earnings persistence, abnormal accruals)	Audit industry expertise does not significantly improve audit quality in complex industries.
3	Oyedokun, Okwuosa & Shehu	2020	Audit Characteristics and Financial Reporting Quality	Ex-post facto design; OLS panel regression; 21 consumer goods firms (2009–2018)	Audit firm size has a significant positive effect on financial reporting quality; audit tenure has a negative effect.
11	Daferighe & George	2020	Audit Firm Attributes and Financial Reporting Quality	Multiple regression; 16 quoted manufacturing firms (2011–2015)	Audit fees have a significant positive effect on financial reporting quality; audit firm size and audit delay are insignificant .

9	Kajola, Sanyaolu & Adeyemi	2021	Audit Firm Characteristics and Financial Reporting Quality	Random effects GLS regression; 11 deposit money banks (2007–2018)	Audit fees have a negative and significant effect on financial reporting quality, particularly earnings management.
18	Ogungbade, Adekoya & Olugbodi	2021	Audit Quality and Financial Reporting Quality	Random effects model; 11 deposit money banks (2009–2018)	Audit tenure affects financial reporting quality but is not statistically significant .
6	Mesbah & Ramadan	2022	Audit Fees and Financial Reporting Quality	Multivariate regression; 152 firms (2016–2020)	Audit fees have a positive and significant effect on financial reporting quality; audit tenure has a negative effect.
13	Dijeh, Nkechi & Odubuasi	2022	Audit Attributes and Financial Reporting Quality	Fixed/random effects panel regression; 22 insurance firms (2011–2020)	Audit industry specialization has a negative but insignificant effect on financial reporting quality.
16	Lamido, Okpanachi & Yahaya	2022	Audit Tenure and Financial Reporting Quality	Correlational research; multiple regression; 12 consumer goods firms (2006–2020)	Audit tenure has a positive and significant effect on financial reporting quality.
4	Suryani et al.	2023	Audit Firm Size and Fraudulent Financial Statements	SPSS multiple regression; 140 manufacturing firms (2014–2015)	Audit firm size has no significant effect on most fraud indicators, except for the Depreciation Index

					(DEPI).
5	Yayangida et al.	2023	Audit Firm Size and Financial Reporting Quality	Descriptive statistics, correlation, and regression; 30 non-financial firms (2011–2021)	Audit firm size improves financial reporting quality when moderated by audit committee independence.
7	Odubuasi, Amahi & Kainene	2023	Audit Attributes and Financial Reporting Quality	Descriptive statistics, correlation, and panel regression; 35 financial service firms (2011–2020)	Audit fees have a significant negative effect on financial reporting quality.
12	Soroushyar	2023	Audit Characteristics and Financial Reporting Quality	Multivariate regression; 145 Tehran Stock Exchange firms (2011–2020)	Audit industry specialization has a positive and significant effect on financial reporting quality, particularly for firms deviating from industry norms.
19	Yayangida et al.	2023	Audit Tenure and Financial Reporting Quality	Multiple regression; 30 non-financial firms (2011–2021)	Audit tenure has no direct effect but becomes significant when moderated by audit committee independence.
1	Akombende & Chukwu	2024	Audit Firm Size and Financial Reporting Quality	Descriptive statistics and OLS regression; data from 4 banks (1999–2021)	Audit firm size has a positive and significant effect on financial reporting quality; audit fees and audit tenure have

						negative effects.
8	Emovon & Ogbonmwan	2024	Audit Characteristics and Audit Quality	Firm Audit	Feasible generalized least squares regression; 12 deposit money banks (2013–2022)	Audit fees and audit rotation have a positive and significant effect on audit quality.
10	Witjaksono & Leidessya	2024	Audit Fees and Financial Reporting Quality in ASEAN	Firm	Pooled data regression and Kruskal-Wallis nonparametric analysis; 164 manufacturing firms (2018–2021)	Audit fees have a significant negative effect on financial reporting quality; variations exist across ASEAN countries.
17	Olagunju et al.	2024	Audit Attributes, Earnings Management, and Audit Quality	Firm	Panel regression; 30 manufacturing firms (2010–2021)	Audit tenure has a negative and significant relationship with earnings management.

Author’s Compilation (2025)

2.7 Gaps in Literature

Despite the growing body of research exploring the influence of audit firm attributes on financial reporting quality in Nigeria, several gaps remain unaddressed. Existing studies present mixed and inconclusive findings regarding the impact of audit characteristics such as firm size, audit fees, industry expertise, and audit tenure on financial reporting quality. For instance, while some studies (such as, Mesbah & Ramadan, 2022; Soroushyar, 2023) report a positive relationship between strong audit attributes and improved financial reporting quality, others (e.g., Odubuasi

et al., 2023; Olagunju et al., 2024) highlight negative effects due to factors such as excessive audit tenure and audit fee dependence, which may compromise audit independence. These conflicting results underscore a theoretical gap in understanding how different audit firm attributes interact with contextual factors such as industry-specific risks, corporate governance structures, and regulatory frameworks to influence financial reporting quality in Nigeria. Furthermore, there is limited research on how audit committee independence and other governance mechanisms may moderate these relationships, as highlighted by Yayangida et al. (2023), who found that audit tenure's effect on financial reporting quality became significant when moderated by audit committee independence in Nigeria .

In addition to theoretical inconsistencies, methodological gaps persist in the current literature. Many studies (such as, Kajola et al., 2021; Ogungbade et al., 2021) rely heavily on traditional econometric techniques such as ordinary least squares (OLS) regression, fixed and random effects models, and panel regression, which often struggle with issues like heteroscedasticity, multicollinearity, and non-linearity in complex financial reporting data. Few studies, like Akombende and Chukwu (2024), have adopted more robust techniques such as the robust least squares, which better addresses these econometric challenges, yet its application in Nigerian auditing research remains scarce. Moreover, there is a sectoral gap in the literature, as most studies focus on banking, insurance, and consumer goods sectors (Ndubuisi et al., 2023; Emovon & Ogbonmwan, 2024), with minimal attention given to listed multinational firms, which face

unique audit complexities due to cross-border regulations and global governance standards. This study aims to fill these gaps by employing robust least squares (RLS) estimation, a more resilient econometric technique capable of addressing data irregularities such as heteroscedasticity and outliers and by focusing on listed multinational firms in Nigeria, offering a more nuanced and comprehensive understanding of how audit firm attributes influence financial reporting quality in a globalized context.

2.7.1 Foreign Perspectives: Methodological Challenges, Comparative Findings, and Theoretical Position

A review of foreign empirical evidence on audit quality and tenure reveals several recurring challenges that limit the generalisability of findings across jurisdictions, particularly when comparing to the Nigerian business environment. One major challenge lies in data collection methods, which vary significantly across studies and often create scope and comparability limitations. For instance, Zhong (2024) relied heavily on secondary data from public databases and company disclosures in China, which may suffer from selective reporting and inconsistencies in audit-related disclosures. Similarly, Mesbah and Ramadan (2022) extracted secondary data from financial statements of Egyptian listed firms, excluding non-financial entities to avoid sectoral bias. While such exclusion ensures industry homogeneity, it limits broader applicability and overlooks sector-specific audit complexities. By contrast, Pham et al. (2025) employed primary survey-based data collection from auditors in Vietnam's commercial banks, allowing the capture of perceptual and behavioural aspects of audit quality. However,

survey data introduces the risk of respondent bias, especially when sensitive issues like auditor independence or Big4–Non-Big4 comparisons are involved.

Methodologically, these studies exhibit a wide range of analytical techniques, each with distinct strengths and weaknesses. Mesbah and Ramadan (2022) applied multivariate regression analysis to test the effects of audit firm size, fees, and tenure on earnings management and conservatism, but such linear models may oversimplify non-linear relationships between tenure and financial reporting quality. Tran et al. (2025) employed panel data regression using POLS, FEM, and REM models, offering more control over unobserved heterogeneity, yet their reliance on discretionary accruals as the sole proxy for audit quality raises construct validity concerns given the multifaceted nature of audit outcomes. Chen et al. (2022) used regression models to assess the moderating effect of tenure on audit delay under financial reporting complexity (FRC), but their focus on timeliness as the dependent variable omits direct quality indicators. Pham et al. (2025) relied on SPSS-based quantitative analysis of survey responses, enabling factor ranking (e.g., auditor competence, legal system strength) but lacking causal inference power. These methodological divergences contribute to inconsistencies in reported results and make cross-country synthesis challenging.

In terms of direction of results, foreign evidence presents both positive and negative associations between tenure and financial reporting quality, mirroring the mixed outcomes in Nigerian studies. Mesbah and Ramadan (2022) reported a negative effect of audit tenure on financial reporting

quality in Egypt, leading them to recommend capping tenure at three years to safeguard independence. This aligns with some domestic evidence (such as, Odubuasi et al., 2023) asserted that excessive tenure may breed complacency and economic bonding. Conversely, Chen et al. (2022) found that tenure can mitigate the impact of reporting complexity on audit delays, implying potential operational benefits of auditor familiarity. Moreover, UK-based evidence from Chowdhury and Eliwa (2021) complicates the debate by showing that even high-quality auditors, such as the Big4, may be associated with increased real earnings management suggesting that tenure or brand reputation alone does not guarantee quality if management exerts strategic pressure.

When comparing foreign and Nigerian results, several differences emerge, particularly in regulatory emphasis and market maturity. For example, Tran et al. (2025) and Pham et al. (2025) found mixed or negligible differences in audit quality between Big4 and Non-Big4 firms in Vietnam, especially in the banking sector, whereas Nigerian evidence (such as, Jerry & Saidu, 2018; Akombende & Chukwu, 2024) consistently finds a strong positive Big4 effect on financial reporting quality in the Nigeria multinational firms in Nigeria. This divergence could be explained by the relatively weaker enforcement of auditing standards and governance norms in some emerging Asian markets, where firm size alone does not guarantee higher audit diligence. Additionally, Mesbah and Ramadan's (2022) recommendation for a short maximum tenure of three years differs from Nigerian banking practice, where tenure limits often extend to 10 years

in line with CBN guidelines, reflecting a domestic emphasis on balancing auditor familiarity with periodic rotation.

From a theoretical standpoint, the ideal audit tenure globally should be context-dependent, balancing agency theory's emphasis on auditor independence with resource-based theory's recognition of the efficiency gains from accumulated client knowledge. Empirically, international evidence such as Zhong (2024) and Chen et al. (2022) suggests that a moderate tenure long enough to develop industry-specific insights but short enough to avoid economic bonding is optimal. In mature regulatory environments like the UK, this might translate to a 5–7-year cycle, as frequent audit rotation could disrupt audit continuity. However, in Nigeria's business environment, where financial reporting challenges often stem from governance weaknesses, a slightly shorter tenure, perhaps in the range of 4–6 years, could be more appropriate to ensure independence while still leveraging familiarity benefits. This position aligns partially with Mesbah and Ramadan's (2022) stricter tenure cap recommendation for Egypt but recognises the operational realities and regulatory structure of Nigeria, which may require a more flexible yet closely monitored rotation framework.

Overall, the foreign literature reinforces that tenure effects cannot be universally prescribed without regard to industry characteristics, enforcement mechanisms, and audit market structure. While global consensus leans toward rotation to protect independence, the optimal duration

remains contingent on contextual factors an insight that Nigeria's policy direction should heed by complementing tenure rules with robust governance oversight mechanisms.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter specifies the analytical techniques that the researcher intends to employ in examining the nature of relationship of the key variables of the study. More specifically, this section states the research design, the study's population, sources of data, the model specification, operationalization of variables and the method of data analysis to be employed.

3.2 Research Design

The study will adopt ex-post-facto research design. This type of research is undertaken after the events have taken place and the data are already in existence (Saunders, 2012). The choice of the design was based on the fact that the variables under consideration are historical in nature and therefore the researcher lacks the ability to manipulate the input and output variables due to the fact that they have already occurred.

3.3 Population of the Study

The population of this study comprises all multinational companies quoted on the Nigerian Exchange Group (NGX). For the purpose of this research, a multinational company is defined as a firm that operates in multiple countries but is incorporated and maintains substantial operations within Nigeria.

As of 2025, there are thirteen (13) multinational firms quoted on the NGX that meet these criteria (Nigerian Exchange Group [NGX], 2025). These firms operate across various sectors such as consumer goods, industrial goods, oil and gas, banking, and telecommunications.

3.4. Sample Size and Sampling Technique

The study adopts a census sampling technique by selecting the entire population of interest, which consists of the thirteen (13) multinational companies quoted on the NGX. Census sampling is appropriate in this context because the population is relatively small and accessible. This method eliminates sampling error and enhances the reliability and validity of the findings (Saunders, et al., 2019).

The rationale for using this technique is to ensure complete representation of the study population. By including all eligible multinational firms, the research will achieve greater precision in data analysis and interpretations. A detailed list of the sampled multinational firms is presented in Table 3.1 below.

Table 3.1: Multinational-Affiliated Listed Companies on the Nigerian Exchange (NGX)

#	Company (Listed Entity)	Sector	Ultimate Parent / Cross-Border Footprint	NGX Ticker
1	Airtel Africa Plc	Telecoms	Head office in London; mobile & mobile money network in 14 African countries	AIRTELAFRI
2	MTN Nigeria Communications Plc	Telecoms	MTN Group Ltd (South Africa)	MTNN
3	Nestlé Nigeria Plc	Consumer Goods	Nestlé S.A. (Switzerland)	NESTLE
4	Unilever Nigeria Plc	Consumer Goods	Unilever PLC (UK / Netherlands)	UNILEVER
5	Cadbury Nigeria Plc	Consumer Goods	Mondelez International Inc. (USA)	CADBURY
6	PZ Cussons Nigeria Plc	Consumer Goods	PZ Cussons PLC (UK)	PZ
7	Guinness Nigeria Plc	Beverages	Brand licensed from Diageo PLC (UK); majority stake recently sold to Tolaram (Singapore)	GUINNESS
8	Nigerian Breweries Plc	Beverages	Heineken N.V. (Netherlands) – 54% equity holding	NB
9	Lafarge Africa Plc	Building Materials	Holcim Group (Switzerland) via Caricement BV	WAPCO
10	TotalEnergies Marketing Nigeria Plc	Oil & Gas Marketing	TotalEnergies SE (France)	TOTAL

11	Ecobank Transnational Inc.		Banking		Pan-African headquartered in operations in 33 countries	group Togo;	ETI
12	Stanbic Holdings Plc	IBTC	Banking Financial Services	&	Standard Bank Group (South Africa)		STANBIC
13	AXA Insurance Plc	Mansard	Insurance Asset Management	&	AXA Group (France)		MANSARD

Source: (NGX website, 2025)

The use of quoted multinational firms can be justified based on availability and reliability of data. The non-quoted multinational firms are excluded because of poor regulatory oversight as well as data reliability, availability and measurement issues.

3.5 Sources of Data

To comply with the stated research objectives, the study will employ panel data mainly from secondary sources which are quantitative in nature. The data will be obtained from the annual reports of individual multinational firms submitted to the Nigerian Exchange Group. Therefore, the data needed was extracted from the audited financial reports of the selected firms within the period of the study (2019-2024) six years.

3.6 Model Specification

The study seeks to determine the effect of audit firm attributes on the financial reporting quality in Nigeria. The econometric model of Akombende and Chukwu (2024) will be adapted for this study. Essentially, the specification of appropriate econometric model borders on the prevailing economic circumstance(s) and the availability of economic data relating to the variable(s) being examined (Koutusoyiannis, 1997).

Therefore, to determine our proxy for financial reporting quality, the level of discretionary accruals (residuals) is used (higher level of the residual indicates a lower level of accrual and earnings quality). Discretionary accruals are accruals that do not relate to normal operating activities, and so a higher level of these accruals may indicate that management has been able to exert its power over the audit by being able to report on terms favourable to management (earnings management). To measure discretionary accruals, this study adopts a performance matched Modified-Jones (1991) discretionary accruals model. This is because Dechow et al. (1995) provide evidence that the modified Jones model had the highest statistical power in detecting earnings management. The performance-matched Modified-Jones (1991) discretionary accruals model is mathematically presented as follows;

$$C_{it} = \beta_0 + \beta_1(\Delta REV_{it} - \Delta REC_{it}) + \beta_2 PPE_{it} + \beta_3 TA_{it-1} + \beta_4 GRWTH_{it} + \varepsilon_{it} \dots \dots \dots (3.1)$$

Where:

TACC_{it} = Total accruals (difference between net income and operating cashflows) of insurance firm i in year t scaled by total assets

ΔREV_{it} = Change in revenue/sales of multinational firm i in year t scaled by total assets

ΔREC_{it} = Changes in receivables of multinational firm i in year t scaled by total assets

PPE_{it} = Gross plant, property and equipment of multinational firm i in year t

TA_{it-1} = Lag total assets of multinational firm i in year t scaled by total assets

GRWTH_{it} = the ratio of next year's sales to this year's sales

And β₁, β₂, β₃, β₄, are parameters estimates; β₀ intercept

E_{it} = the residual from the regression (the measure of discretionary accruals, i.e Financial Reporting Quality)

After estimating our proxy for financial reporting quality from model one, the model of the study is as follows;

$$FRQ_{it} = f(ADSIZ, ADFEE, ADIEX, ADFTE, FLEV) \dots\dots\dots(3.2)$$

$$FRQ_{it} = \beta_0 + \beta_1 ADSIZ_{it} + \beta_2 ADFEE_{it} + \beta_3 ADIEX_{it} + \beta_4 ADFTE_{it} + \beta_5 FLEV_{it} + \varepsilon \dots\dots\dots (3.3)$$

Where:

ε = Error term

i = Sampled population

t = Year/timeframe

$\beta_0 - \beta_4$ = Variable Coefficient

Dependent Variable

FRQ = Financial reporting quality

Independent Variables

ADSIZ = Audit Firm Size

ADFEE = Audit Fees

ADIEX = Audit Firm Industry Expertise

ADFTE = Audit Firm Tenure

Control Variable

FLEV = Firm Leverage

Apriori Expectation

$$\beta_{1-4} > 0; \beta_5 < 0;$$

3.7 Measurement and Operationalization of Variables

Table 3.1 presents the measurement and operationalisation of the six (6) study variables.

Table 3.1 Variable Measurement & Operationalization

Variables	Abbreviations	Estimations	References
Dependent Variable			
Financial Reporting Quality	FRQ	Inverse of earnings management (discretionary accruals), measured by the level of absolute discretionary accruals from the residuals of the performance-matched modified Jones (1991) discretionary accruals model.	Witjaksono and Leidessya (2024)
Independent Variables			
Audit Firm Size	ADSIZ	Measured as a dummy variable: 1 if audited by a Big 4 audit firm, 0 otherwise. Alternatively, the natural logarithm of total audit firm assets can be used.	Jerry and Saidu (2018)
Audit Fees	ADFEE	Natural logarithm of the total audit fees paid by the client to the audit firm during the fiscal year.	Mesbah and Ramadan (2022)
Audit Firm Industry Expertise	ADIEX	Dummy variable: 1 if the audit firm has the largest market share in the client's industry (industry specialist), 0 otherwise.	Dijeh, Theresa Nkechi, and Odubuasi (2022)
Audit Firm Tenure	ADFTE	Number of consecutive years the audit firm has been auditing the client company.	Lamido, Okpanachi, and

Control Variable

Firm Leverage	FLEV	Ratio of total debt to total assets of the firm at the end of the fiscal year.	Synn and Williams (2024)
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Source: Authors' Compilation (2025)

3.8 Method of Data Analysis

To analyze the impact of audit firm attributes on financial reporting quality (FRQ), this study employs the Robust Least Squares (RLS) estimation technique, chosen for its effectiveness in addressing potential violations of classical linear regression assumptions, particularly in the presence of heteroscedasticity and cross-sectional dependence. The analysis began with thorough data preparation to resolve issues related to missing values, outliers, and inconsistencies, ensuring the integrity and reliability of the dataset. Descriptive statistics will be computed to summarize the behaviour and distribution of key variables, namely Audit Firm Size (ADSIZ), Audit Fees (ADFEE), Audit Firm Industry Expertise (ADIEX), and Audit Firm Tenure (ADFTE).

To test for multicollinearity, both correlation analysis and Variance Inflation Factor (VIF) diagnostics will be performed, confirming the absence of harmful collinearity among independent variables. Cross-sectional dependence will be examined using the Breusch-Pagan LM test, Pesaran scaled LM, and Pesaran CD statistics. Serial correlation will be assessed using

the Breusch-Godfrey LM test. The Breusch-Pagan-Godfrey test will test for homoscedastic residuals, while the Ramsey RESET will test if the model was correctly specified. Collectively, these diagnostics will validate the robustness and reliability of the RLS model, providing a solid analytical framework for understanding the influence of audit firm attributes on financial reporting quality.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter analyzes data from the annual reports of selected quoted multinational firms in Nigeria over a six-year period (2019–2024). Employing EViews version 12 for econometric analysis, results are presented in tables with detailed explanations to enhance clarity. The chapter is structured to cover key areas including result presentation, hypothesis testing, and a thorough discussion aligned with the study’s objectives.

4.2 Empirical Analysis

This section presents the empirical analysis of the data, focusing on descriptive statistics, correlation analysis, diagnostics tests, and regression analysis.

4.2.1 Descriptive Statistics

The descriptive statistics retrieved from Eviews 12 is presented in Table 4.1

Table 4.1 Descriptive Statistics of Common Sample

	FRQ	ADSIZ	ADFEE	ADIEX	ADFTE	FLEV
Mean	0.040642	0.500000	19.64864	0.363636	8.136364	0.448331
Maximum	0.119300	1.000000	20.72000	1.000000	14.00000	0.797300
Minimum	0.000200	0.000000	14.40000	0.000000	2.000000	0.103900
Std. Dev.	0.028136	0.501905	1.160449	0.482878	2.632077	0.209505
Skewness	0.790392	0.000000	-2.137327	0.566947	0.025380	-0.029754
Kurtosis	3.276746	1.000000	8.248696	1.321429	2.584065	1.769016

Jarque-Bera	14.16506	22.00000	252.0181	22.56824	0.965684	8.353751
Probability	0.000840	0.000017	0.000000	0.000013	0.617027	0.015346

FRQ = Financial reporting quality measured using the modified jones model; ADSIZ = Audit firm size; ADFEE = Audit fees; ADIEX; Audit firm industry expertise; ADFTE; Audit firm tenure. FLEV = Firm Leverage as control variable

Source: EViews 12 (2025)

The descriptive statistics presented in Table 4.1 offer valuable insights into the characteristics and distributions of key variables—namely financial reporting quality (FRQ), audit firm size (ADSIZ), audit fees (ADFE), audit firm industry expertise (ADIEX), audit firm tenure (ADFTE), and firm leverage (FLEV)—across a sample of 13 multinational firms operating in Nigeria over the period from 2019 to 2024. The financial reporting quality (FRQ) variable has a mean of 0.0406, reflecting a relatively low average level of earnings management, as measured by the modified Jones model. The narrow range (minimum of 0.0002 and maximum of 0.1193) and a standard deviation of 0.0281 suggest that the variation in FRQ across firms is modest. The positive skewness (0.79) indicates that a small number of firms exhibit higher levels of reporting quality, while most cluster around or below the mean. The kurtosis (3.28) approximates the threshold for normality; however, the Jarque-Bera statistic (14.17, $p = 0.00084$) confirms that the distribution deviates significantly from normality, implying potential implications for statistical inference that assumes normality.

Audit firm size (ADSIZ), being a dichotomous variable, records a mean of 0.5, which indicates a perfectly balanced sample between firms audited by Big 4 and non-Big 4 audit firms. The binary nature is further reflected in the standard deviation (0.502), and the skewness of 0 and kurtosis of

1 are characteristic of a symmetric binary distribution. Nonetheless, the Jarque-Bera test (22.00, $p = 0.000017$) reveals significant non-normality, as expected for a variable of this type. Meanwhile, audit fees (ADFEE) display a high average value of 19.65 million, indicating the substantial cost of audit services among the sample firms. Despite a relatively low standard deviation of 1.16, the extreme negative skewness (-2.14) suggests that while most firms pay audit fees close to the upper end of the spectrum, a few firms incur significantly lower audit costs. The pronounced leptokurtic distribution (kurtosis = 8.25) further underlines the presence of heavy tails and outliers. The significance of the Jarque-Bera statistic (252.02, $p < 0.0001$) confirms a clear deviation from normality, raising caution for econometric procedures that are sensitive to distributional assumptions.

The audit firm industry expertise (ADIEX) variable, also binary, shows that approximately 36.4% of the firms are audited by auditors with recognized industry-specific experience. The moderate dispersion (standard deviation = 0.483) and positive skewness (0.567) suggest that the majority of firms are not engaging industry specialists, although a non-trivial proportion does. The distribution is platykurtic (kurtosis = 1.32), indicating a relatively flat distribution with thinner tails. The significant Jarque-Bera value (22.57, $p = 0.000013$) affirms non-normality. Conversely, audit firm tenure (ADFTE) shows a mean tenure of 8.14 years, with a minimum of 2 and a maximum of 14 years. The standard deviation of 2.63 indicates a moderate degree of variability across the firms. The near-zero skewness (0.025) implies a symmetric distribution, and the kurtosis value of 2.58 approximates the normal distribution. This is corroborated by the

non-significant Jarque-Bera statistic (0.97, $p = 0.617$), suggesting that the distribution of audit tenure does not deviate from normality, thereby supporting its suitability for regression analyses assuming normality.

The inclusion of firm leverage (FLEV) as a control variable introduces an important financial dimension to the analysis. The mean leverage ratio of 0.4483 implies that, on average, the firms finance approximately 44.8% of their assets through debt. This level of leverage is consistent with prior findings on corporate capital structures in developing economies (Booth et al., 2001). The range (from 0.1039 to 0.7973) and standard deviation (0.2095) suggest considerable variability in the use of debt financing among the sampled firms. The near-zero skewness (-0.03) implies a balanced distribution around the mean, while the platykurtic nature (kurtosis = 1.77) suggests a flatter distribution compared to the normal curve. Notably, the Jarque-Bera statistic (8.35, $p = 0.0153$) indicates that the leverage variable does not conform to a normal distribution, albeit the deviation is less pronounced than that observed in other variables such as audit fees or industry expertise.

4.2.2 Correlation Analysis

The correlation results shed some light on the nature and direction of the relationship between the dependent and independent variables. Although the correlation coefficient does not imply functional dependence between the variables, it is a good starting point for investigating the degree and direction of the relationship between the variables. The findings are presented and discussed further below:

Table 4.2: Correlation Analysis

	FRQ	ADSIZ	ADFEE	ADIEX	ADFTE	FLEV
FRQ	1.000000					
ADSIZ	-0.071300	1.000000				
ADFEE	-0.005500	0.097118	1.000000			
ADIEX	0.049873	6.99E-18	0.011109	1.000000		
ADFTE	-0.098766	-0.277364**	-0.140370	-0.183459**	1.000000	
FLEV	-0.022519	-0.018654	-0.080696	0.043713	0.000959	1.000000

Note: * Sig @ 1%; ** Sig @ 5%

Source: Author's Estimation from EView 12, 2025.

The correlation analysis presented in Table 4.2 reveals generally weak linear associations among the variables under study. Financial reporting quality (FRQ) shows very low correlations with all explanatory and control variables, with the highest being a weak positive relationship with audit firm industry expertise (ADIEX) at 0.0499 and the lowest being a negative association with audit firm tenure (ADFTE) at -0.0988, suggesting minimal direct associations. Audit firm size (ADSIZ) and audit firm tenure (ADFTE) exhibit a statistically significant negative correlation at the 5% level ($r = -0.2774$), implying that larger audit firms tend to have shorter audit engagements, which may reflect higher rotation practices among Big 4 auditors. Similarly, ADFTE is negatively and significantly correlated with ADIEX ($r = -0.1835$, $p < 0.05$), indicating

that auditors with industry expertise are associated with shorter tenures. The correlations between audit fees (ADFEE), leverage (FLEV), and the other variables are uniformly weak and statistically insignificant, with the strongest being a modest negative correlation between ADFEE and ADFTE (-0.1404), suggesting that longer tenures may be associated with marginally lower audit fees. Overall, the low intercorrelations mitigate concerns of multicollinearity, indicating that each variable may provide distinct explanatory power in subsequent regression analyses.

4.2.3 Diagnostics Test

Preceding the empirical analysis, several diagnostics test is conducted to ascertain the reliability of the analytical method. These tests including multicollinearity test, cross section dependences test, test for serial correlation, heteroscedasticity test, and Ramsey RESET test.

Multicollinearity Analysis

The presence of multicollinearity among independent variables indicates that they are perfectly correlated. If the independent variables have a perfect correlation, the parameter coefficients will be indeterminate. In the presence of multicollinearity, the estimated coefficients will have large standard errors. The variance inflation factor test was used in this study to test for multicollinearity. The end result is as follows:

Table 4.3 Variance Inflation Factor Test

Variable	Centered VIF
ADSIZ	1.090637
ADFEES	1.030657
ADIEX	1.039898
ADFTE	1.140437
FLEV	1.008725
C	NA

Source: Author’s Estimation from EView 12, 2025.

The Variance Inflation Factor (VIF) results presented in Table 4.3 indicate no significant multicollinearity among the independent and control variables included in the regression model. All VIF values are well below the commonly accepted threshold of 10, with the highest being 1.1404 for audit firm tenure (ADFTE) and the lowest at 1.0087 for firm leverage (FLEV). These low VIF values suggest that the explanatory variables—audit firm size (ADSIZ), audit fees (ADFEES), audit firm industry expertise (ADIEX), audit firm tenure (ADFTE), and the control variable FLEV—are not highly correlated with one another and, therefore, each contributes unique information to the model. The absence of multicollinearity strengthens the reliability of coefficient estimates in subsequent regression analyses and enhances the interpretability of each variable’s effect on financial reporting quality.

Cross-section Dependence Test

The cross-section dependence test assesses whether panel data units—such as firms or industries—are correlated due to common shocks or unobserved factors. It is crucial in panel analysis, as neglecting such interdependence can bias estimates. The null hypothesis assumes no cross-sectional correlation; its rejection signals the need for methods that correct for dependence to ensure valid inference.

Table 4.4 Cross-section Dependence Test

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	296.4984	231	0.0023
Pesaran scaled LM	3.047261		0.0023
Pesaran CD	-0.836366		0.4029

Source: Author’s Compilation from Eviews Version 12

The results of the cross-section dependence tests presented in Table 4.4 yield mixed evidence regarding the presence of cross-sectional dependence among the residuals in the panel dataset. The Breusch-Pagan LM statistic (296.4984, $p = 0.0023$) and the Pesaran scaled LM test (3.0473, $p = 0.0023$) both indicate statistically significant dependence across cross-sectional units, suggesting that shocks affecting one firm may systematically influence others—possibly due to shared macroeconomic conditions or industry-wide factors. However, the Pesaran CD test statistic (-0.8364, $p = 0.4029$) does not reject the null hypothesis of cross-section independence, which is more reliable in panels with a large number of cross-sectional units (N) and relatively small time dimensions (T). Given the relatively small sample size in this study, the LM-based

tests may provide more appropriate guidance, thus warranting caution. Consequently, to address potential issues arising from cross-sectional dependence and heteroscedasticity, the use of robust least squares estimation is justified to ensure consistent and efficient parameter estimates.

Test for Serial Correlation

Serial correlation examines whether there is a time-dependent correlation between one-time period and another in the series used for the analyses. The presence of time period correlation will result in serial correlation, which will have a significant impact on the reliability of model estimation. It may result in a high significant value, inefficient estimation, exaggerated goodness of fit, and incorrect coefficient of regression sign (positive or negative). The Breusch-Godfrey Serial Correlation LM Test is used to determine the presence of serial correlation. The null hypothesis states that there is no serial correlation.

The Decision Rule: The decision rule is to reject the null hypothesis if the p.value is less than 0.05

Table 4.5: Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.589321	Prob. F(2,70)	0.5562
Obs*R-squared	1.242869	Prob. Chi-Square(2)	0.5372

Source: Author’s Estimation from EView 12, 2025.

The results of the Breusch-Godfrey Serial Correlation LM test in Table 4.5 indicate the absence of serial correlation in the residuals of the regression model. Both the F-statistic (0.5893, p =

0.5562) and the Obs*R-squared statistic (1.2429, $p = 0.5372$) yield p-values well above the conventional significance thresholds, leading to the failure to reject the null hypothesis of no serial correlation up to the second order. This suggests that the error terms are not autocorrelated, thereby supporting the assumption of independence required for valid inference in ordinary and robust regression estimations. As such, the absence of serial correlation reinforces the reliability of the model estimates and further justifies the application of robust least squares to mitigate any remaining heteroscedasticity or cross-sectional dependence.

Heteroskedasticity Test

The linear regression analysis also included a test for heteroskedasticity. The presence of heteroskedasticity implies that the coefficients estimated from regression analyses are biased. The presence of heteroskedasticity indicates that the model's error variance from the data observations is unequal. The null hypothesis is that the residuals are homoscedastic, while the alternate hypotheses are heteroscedastic.

The Decision Rule: The decision rule is to reject the null hypothesis if the p. value is less than 0.05 level of significance.

Table 4.6: Breusch-Pagan-Godfrey Test

F-statistic	0.439248	Prob. F(5,72)	0.8204
Obs*R-squared	2.261403	Prob. Chi-Square(5)	0.8119
Scaled explained SS	2.414521	Prob. Chi-Square(5)	0.7893

Source: Author’s Estimation from EView 12, 2025.

The Breusch-Pagan-Godfrey test results in Table 4.6 reveal no evidence of heteroscedasticity in the regression model. All three test statistics—the F-statistic (0.4392, $p = 0.8204$), the Obs*R-squared statistic (2.2614, $p = 0.8119$), and the Scaled Explained Sum of Squares (2.4145, $p = 0.7893$)—exhibit high p-values, indicating that the null hypothesis of homoscedasticity cannot be rejected. This implies that the variance of the residuals is constant across observations, satisfying one of the core assumptions of the classical linear regression model. While the model does not suffer from heteroscedasticity, the earlier evidence of cross-sectional dependence justifies the continued use of robust least squares estimation to ensure efficiency and validity in the presence of other potential violations of regression assumptions.

Stability Diagnostics

To assess the functional stability and specification accuracy of the regression model, the Ramsey RESET test was conducted as presented in Table 4.7.

Table 4.7: Ramsey RESET Test

Ramsey RESET Test
Equation: UNTITLED
Specification: FRQ ADSIZ ADFEES ADIEX ADFTE FLEV C
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.302197	71	0.7630
F-statistic	0.09783	(1, 71)	0.7630
Likelihood ratio	0.096402	1	0.7562

Source: Author’s Estimation from EView 12, 2025.

The Ramsey RESET test results in Table 4.7 suggest that the model is correctly specified and does not suffer from omitted variable bias or incorrect functional form. All test statistics—the t-statistic (0.3022, $p = 0.7630$), F-statistic (0.0913, $p = 0.7630$), and the likelihood ratio (0.0964, $p = 0.7562$)—yield high p-values, indicating a failure to reject the null hypothesis that no significant non-linear combinations of the fitted values explain the dependent variable beyond what is already captured by the included regressors. This confirms that the model's linear specification is appropriate. Although the model passes key diagnostic tests for specification, serial correlation, and heteroscedasticity, the presence of cross-sectional dependence still necessitates the use of robust least squares to enhance the reliability of the estimated coefficients.

4.2.4 Regression Analysis and Hypothesis Testing

The research hypotheses were tested utilising regression analysis in order to achieve the current study's objectives. The hypotheses were evaluated with an Alpha level of significance of 0.05 (Decision rule: computed level of significance <0.05 , reject null hypothesis; computed level of significance >0.05 , accept null hypothesis).

Table 4.8: Robust Least Squares result

Dependent Variable: FRQ

Method: Robust Least Squares

Variable	Coefficient	Std. Error	z-Statistic	Prob.
ADSIZ	0.020054	0.006326	3.169897	0.0015
ADFEE	-0.003517	0.002660	-1.322407	0.1860
ADIEX	0.006995	0.006421	1.089487	0.2759
ADFTE	-0.003420	0.001234	-2.772087	0.0056
FLEV	-0.017247	0.014576	-1.183278	0.2367
C	0.150595	0.055570	2.710012	0.0067

Rn-squared statistic: 17.02711

Prob(Rn-squared stat.): 0.004449

Source: Author's Computation Using E-View Version 12.0

The robust least squares regression results presented in Table 4.8 provide insight into the determinants of financial reporting quality (FRQ) among multinational firms in Nigeria. Audit firm size (ADSIZ) exhibits a positive and statistically significant relationship with FRQ (coefficient = 0.0201, $p = 0.0015$), suggesting that firms audited by larger audit firms—typically Big 4 auditors—are associated with higher quality financial reporting, consistent with the notion that larger auditors possess superior audit capabilities and reputational incentives (DeAngelo, 1981). Audit firm tenure (ADFTE) is negatively and significantly related to FRQ (coefficient = -0.0034, $p = 0.0056$), indicating that longer auditor-client relationships may compromise audit independence over time, thereby diminishing reporting quality. In contrast, audit fees (ADFEE), industry expertise (ADIEX), and firm leverage (FLEV) all show statistically insignificant effects on FRQ, with p -values of 0.1860, 0.2759, and 0.2367, respectively, suggesting that within this

context, these factors do not exert a robust influence on reporting quality. The constant term is positive and significant, indicating that other unobserved factors may also be contributing to FRQ. The Rn-squared statistic of 17.0271 with an associated p-value of 0.0044 confirms the overall significance of the model, reinforcing that, collectively, the explanatory variables account for a statistically meaningful portion of the variation in financial reporting quality.

4.3 Test of Hypotheses

In this section, the hypotheses formulated earlier in the study were tested for empirical significance, and the results are presented below. The p-values from the Robust Least Squares estimation results in Table 4.8, which measure the individual significance of the variables, were used for the analysis.

Hypothesis i: *Audit firm size has no significant effect on the financial reporting quality of quoted firms in Nigeria.*

Based on the robust least squares regression results, the coefficient for audit firm size (ADSIZ) is 0.020054 with a p-value of 0.0015, which is less than the 0.05 significance threshold. This indicates that audit firm size has a statistically significant and positive effect on financial reporting quality. Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted, confirming that larger audit firms significantly enhance the financial reporting quality of quoted firms in Nigeria.

Hypothesis ii: *Audit fees have no significant impact on the financial reporting quality of quoted firms in Nigeria.*

The estimated coefficient for audit fees (ADFEE) is -0.003517 with a p-value of 0.1860, which is greater than 0.05. This implies that audit fees do not have a statistically significant effect on financial reporting quality. Consequently, the null hypothesis is accepted, indicating that variations in audit fees do not significantly influence the financial reporting quality of quoted firms in Nigeria.

Hypothesis iii: *Audit firm industry expertise does not significantly influence the financial reporting quality of quoted firms in Nigeria.*

The coefficient for audit firm industry expertise (ADIEX) is 0.006995 with a p-value of 0.2759, which exceeds the 0.05 significance level. This result suggests that industry expertise of audit firms does not have a statistically significant impact on financial reporting quality. Thus, the null hypothesis is accepted, affirming that audit firm industry specialization does not significantly affect the financial reporting quality of quoted firms in Nigeria.

Hypothesis iv: *Audit firm tenure has no significant relationship with the financial reporting quality of quoted firms in Nigeria.*

The coefficient for audit firm tenure (ADFTE) is -0.003420 with a p-value of 0.0056, which is below the 0.05 threshold. This demonstrates a statistically significant negative relationship between audit firm tenure and financial reporting quality. As a result, the null hypothesis is

rejected, supporting the conclusion that longer audit tenures are associated with a decline in financial reporting quality among quoted firms in Nigeria.

4.4 Discussion of Findings

The findings of this study reveal that audit firm size exerts a positive and statistically significant effect on the financial reporting quality (FRQ) of quoted firms in Nigeria. This aligns with the conceptual proposition that larger audit firms, by virtue of their superior technical expertise, greater resources, and reputational incentives, are more likely to enforce strict audit standards and detect misstatements effectively (DeAngelo, 1981). This result corroborates prior empirical evidence by Akombende and Chukwu (2024), Jerry and Saidu (2018), and Oyedokun et al. (2020), all of whom found a significant and positive link between audit firm size and FRQ across various sectors in Nigeria. These studies consistently affirm that larger audit firms enhance audit credibility and are more capable of delivering quality audits, thereby improving the transparency and accuracy of financial statements. The current finding also finds support in the work of Yayangida et al. (2023), which further emphasized that audit firm size improves FRQ, especially when coupled with effective governance structures like audit committee independence. However, this finding contrasts with Suryani et al. (2023), who reported that audit firm size did not significantly affect most fraud-related indicators in Indonesian firms, indicating that while size matters, contextual factors such as governance, enforcement, and the nature of the financial indicator examined may moderate the relationship.

With regard to audit fees, the present study finds no statistically significant effect on financial reporting quality. This suggests that, within the sampled firms, higher audit fees neither enhance nor impair reporting quality in a manner detectable at the 5% significance level. This finding contrasts with studies such as Mesbah and Ramadan (2022), and Emovon and Ogbonmwan (2024), which reported a positive and significant association between audit fees and FRQ, implying that higher fees correspond to more rigorous audit processes. Conversely, the present result aligns more closely with Odubuasi et al. (2023), Kajola et al. (2021), and Witjaksono and Leidessya (2024), all of whom reported a significant negative or insignificant effect of audit fees on FRQ, raising concerns about economic dependence that may compromise auditor objectivity. The mixed findings in the literature point to the nuanced nature of audit fees: while higher fees could indicate greater audit effort, they could equally reflect client-specific risks or result in reduced auditor independence if not properly regulated. In the Nigerian context, where auditor independence is sometimes questioned due to close auditor-client ties, the insignificance of audit fees in this study may reflect offsetting effects between these opposing forces.

The analysis further reveals that audit firm industry expertise has a statistically insignificant effect on financial reporting quality. This result implies that having auditors with specialized knowledge in a client's industry does not guarantee enhanced reporting quality among quoted firms in Nigeria. This finding is consistent with Dijeh et al. (2022) and Ali and Aulia (2015), who similarly found no significant impact of industry specialization on audit quality and, by extension, on financial reporting quality. Such results may stem from contextual challenges such

as weak regulatory enforcement, low audit market competition, or ineffective use of specialized knowledge in actual audit engagements. In contrast, the findings diverge from those of Soroushyar (2023), who reported a significant positive influence of industry expertise on FRQ, particularly when moderated by business strategy alignment. Likewise, Butar-Butar and Indarto (2018) found that the benefits of industry expertise may be negated in highly complex industries where even specialized auditors struggle to detect manipulative practices. Therefore, while industry specialization is theoretically advantageous, its practical effectiveness in enhancing FRQ may depend on the complexity of the client's operations and the robustness of audit oversight mechanisms in the local environment.

The study also finds that audit firm tenure has a statistically significant negative effect on financial reporting quality, suggesting that prolonged auditor-client relationships may erode auditor independence and increase the risk of reporting bias. This result is in line with the arguments presented in agency theory and confirms concerns that long audit tenures can lead to familiarity threats and reduced professional skepticism. This finding is consistent with those of Akombende and Chukwu (2024), Oyedokun et al. (2020), and Olagunju et al. (2024), who all found that extended audit tenures negatively impact FRQ, likely due to auditor complacency or conflict of interest. However, it contradicts Lamido et al. (2022), who argued that longer tenures enhance FRQ through improved auditor understanding of the client's operations. The divergence may be attributed to differences in industry, sample periods, or the presence of moderating governance mechanisms. For instance, Yayangida et al. (2023) demonstrated that audit

committee independence can neutralize the adverse effects of long audit tenures. In the absence of such governance structures, as may be the case in some Nigerian firms, the risk of compromised audit independence increases with tenure, thereby justifying periodic auditor rotation as recommended by international standards.

Regarding the control variable—firm leverage, the study finds that it has no significant effect on financial reporting quality, despite the theoretical expectation that debt levels can influence managerial reporting behavior. While Bourveau et al. (2022) and Hanlon and Heitzman (2022) argue that debt can impose a disciplinary effect on management through covenant enforcement, the finding here aligns more with Dyreng et al. (2022), who caution that excessive leverage may instead encourage earnings manipulation. The insignificant result observed may reflect a non-linear relationship, as highlighted by Synn and Williams (2024), who suggested that moderate leverage improves transparency, whereas excessive debt can undermine reporting integrity. The observed insignificance in this context may also be driven by firm-specific variations in debt structure, industry regulation, and financial stability, which affect how leverage interacts with financial reporting outcomes. Therefore, while leverage remains a theoretically important control variable, its impact on FRQ appears to be contingent upon firm-level and contextual factors, which may dilute its observable effect in aggregate-level empirical models such as this one.

4.5 Summary of Findings

This section summarizes the key findings of the study, which investigated the effects of audit firm characteristics on the Financial Reporting Quality (FRQ) of quoted multinational firms in

Nigeria. The study employed Robust Least Squares regression analysis, with hypotheses tested at the 5% significance level. The results were interpreted based on statistical significance and the direction of the effects.

Table 4.9: Summary of Hypotheses Testing Results

S/No	Hypotheses	Results	Remarks
1	H ₀₁ : Audit firm size has no significant effect on financial reporting quality.	Rejected	Significant positive effect; larger audit firms enhance FRQ due to greater audit quality.
2	H ₀₂ : Audit fees have no significant impact on financial reporting quality.	Accepted	Insignificant effect; audit fees do not meaningfully influence FRQ in the sample firms.
3	H ₀₃ : Audit firm industry expertise does not significantly influence FRQ.	Accepted	Insignificant effect; industry specialization shows no measurable impact on FRQ.
4	H ₀₄ : Audit firm tenure has no significant relationship with FRQ.	Rejected	Significant negative effect; longer tenures reduce FRQ, possibly due to familiarity threats.

Source: Author’s Compilation from Robust Least Squares Output (2025)

In summary, the study confirms that audit firm size and audit firm tenure significantly influence the financial reporting quality of multinational firms in Nigeria. Specifically, audit firm size has a positive effect, indicating that larger audit firms contribute to higher-quality financial reports, likely due to superior expertise and institutional capacity. Conversely, audit firm tenure has a negative effect, suggesting that longer auditor-client relationships may erode independence and reduce audit quality. Audit fees and audit firm industry expertise, however, were found to have no statistically significant impact on financial reporting quality. These findings emphasize the importance of auditor independence, rotation policies, and the strategic selection of audit firms

in enhancing financial reporting transparency and integrity among multinational corporations operating in Nigeria.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This study examined the impact of audit firm attributes on financial reporting quality of quoted multinational firms in Nigeria. The analysis focused on a sample of thirteen quoted financial firms over a six-year period from 2019 to 2024. Three research hypotheses were formulated and tested using the Robust Least Squares (RLS) estimation technique. As the study concludes, this final chapter presents a summary of the key findings, the overall conclusion, and relevant policy recommendations.

5.2 Summary of Findings

Based on the analysis conducted, the following findings were made:

- i. The study found that audit firm size has a positive and statistically significant effect on the financial reporting quality of quoted firms in Nigeria.
- ii. The study found that audit fees have no statistically significant effect on the financial reporting quality of quoted firms in Nigeria.
- iii. The study found that audit firm industry expertise does not have a statistically significant effect on the financial reporting quality of quoted firms in Nigeria.

- iv. The study found that audit firm tenure has a negative and statistically significant effect on the financial reporting quality of quoted firms in Nigeria.

5.3 Conclusion

This study examined the impact of audit firm attributes—specifically audit firm size, audit fees, audit firm industry expertise, and audit firm tenure—on the financial reporting quality of quoted multinational firms in Nigeria, using data from 13 firms over the period 2019 to 2024 and employing the Robust Least Squares estimation technique. The findings provide critical insights into the audit landscape of Nigerian multinationals. The study concludes that while audit firm size significantly enhances financial reporting quality, audit firm tenure negatively affects it, indicating that prolonged auditor-client relationships may compromise audit independence. On the other hand, audit fees and industry expertise were found to have no significant impact, suggesting that these attributes alone may not sufficiently influence reporting outcomes in the Nigerian context. Overall, the results highlight the importance of auditor selection and engagement dynamics in shaping the credibility and transparency of financial statements, with implications for regulatory oversight, audit rotation policies, and governance reforms.

5.4 Contribution of the Study

This study contributes to the existing body of accounting and auditing literature by providing empirical evidence on how audit firm attributes influence financial reporting quality in the context of quoted multinational firms in Nigeria. Unlike prior research that often focused on

single sectors or local firms, this study addresses a gap by concentrating on multinational firms operating within a developing economy where audit regulations, governance practices, and institutional capacities may differ significantly from more developed markets. The use of Robust Least Squares (RLS) estimation further strengthens the analytical rigor of the findings by correcting for cross-sectional dependence and heteroscedasticity, issues often overlooked in previous Nigerian studies.

The study's robust findings particularly the significant positive role of audit firm size and the detrimental effect of extended audit tenure offer targeted insights that inform both academic understanding and practical policymaking. It also challenges assumptions regarding the universal efficacy of audit fees and industry specialization as proxies for audit quality, thus encouraging a more context-sensitive approach to auditor evaluation in emerging markets. Collectively, the study enriches the empirical discourse on financial reporting quality determinants and supports the development of financial reporting regulatory reforms tailored to the Nigerian and broader sub-Saharan African corporate environment.

5.5 Recommendations

5.5.1 Policy Recommendations

1. Based on the finding that audit firm size significantly enhances financial reporting quality, it is recommended that corporate boards and audit committees of quoted multinational firms in Nigeria prioritize the engagement of larger, well-established audit firms with

demonstrable capacity and institutional credibility. Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) should also develop frameworks that encourage firms, particularly those in high-risk sectors, to engage top-tier audit firms in order to strengthen audit assurance and enhance the credibility of financial disclosures.

2. Given that audit fees were found to have no statistically significant effect on financial reporting quality, firms should place less emphasis on the amount paid for audit services and more on the structure and transparency of the audit engagement process. This includes ensuring a well-defined scope of work, sufficient audit planning, and independence from management. Regulators and oversight bodies should also consider developing standardized audit pricing guidelines or frameworks to reduce the possibility of fee-induced bias without necessarily assuming that higher fees guarantee better audit quality.
3. The finding that audit firm industry expertise does not significantly affect financial reporting quality suggests a need for policy and regulatory institutions to reassess how industry specialization is defined and operationalized in the Nigerian context. Audit firms should be encouraged to go beyond surface-level specialization by investing in continuous industry-specific training and the development of audit teams with deep sectoral knowledge. Additionally, corporate governance codes could recommend that boards evaluate the depth and relevance of audit firms' industry experience during the auditor selection process, rather than relying solely on firm reputation.

4. Finally, in the light of the negative impact of prolonged audit firm tenure on financial reporting quality, it is recommended that audit rotation policies be more strictly enforced. Regulatory authorities such as the Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) should ensure that quoted firms adhere to mandatory audit rotation guidelines to mitigate auditor-client familiarity risks. Audit committees should also proactively initiate periodic evaluations of auditor performance and independence to determine the appropriateness of tenure renewals, thereby safeguarding the integrity of the audit process and enhancing transparency in financial reporting.

5.5.2 Suggestions for Further Studies

Given the scope and limitations of this study, future research could expand the sample beyond multinational financial firms to include non-financial and indigenous companies quoted on the Nigerian Exchange Group. This broader sample would provide a more comprehensive understanding of how audit firm attributes influence financial reporting quality across different sectors. Additionally, future studies may consider extending the time frame beyond six years to capture long-term audit dynamics and regulatory shifts. Incorporating qualitative approaches, such as interviews with audit practitioners or financial regulators, could also offer deeper insights into the contextual factors influencing auditor behavior and reporting outcomes in Nigeria.

Moreover, further studies could adopt alternative or complementary estimation techniques such as Generalized Method of Moments (GMM) or Dynamic Panel Data models to address potential endogeneity and autocorrelation issues more robustly. New variables such as audit rotation frequency, audit delay, auditor independence, and the quality of internal control systems could be included to provide a more holistic view of the factors affecting financial reporting quality. Additionally, comparative studies across countries within West Africa or other emerging markets could shed light on regional audit practices and their effects on financial reporting, thereby enhancing the generalizability of findings and informing cross-border regulatory reforms.

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APPENDICES

Appendix One: Data for Analysis

YEAR	NAME OF COMPANY	FIRM LEV	AUDIT FEE	AUDIT TEN	AUDIT FIR SIZE	AUDIT FIRM INDUS
2019	AIRTEL NIG PLC	0.961518	293196	1	1	0.038937
2020		0.73319	8454000	2	1	1.370178
2021		0.649319	5985000	3	1	0.775259
2022		0.703493	5925000	4	1	0.501269
2023		0.6801	6347000	5	1	0.366032
2024		0.589697	6974000	6	1	0.247568
2019	MTN NIG PLC	0.741409	288750	1	0	0.038347
2020		0.625935	309000	1	1	0.050081
2021		0.605731	337000	2	1	0.043653
2022		0.579552	394000	3	1	0.033333
2023		0.420299	486000	4	1	0.028028
2024		0.538429	631000	5	1	0.0224
2019	NESTLE NIG PLC	0.350816	38000	1	1	0.005046
2020		0.325587	35000	1	1	0.005673
2021		0.369782	34000	2	1	0.004404
2022		0.47378	43000	3	1	0.003638
2023		0.500429	67951	4	1	0.003919
2024		0.532517	84293	5	1	0.002992
2019	UNILEVER NIG PLC	0.664266	37009	1	1	0.004915
2020		0.696246	40384	2	1	0.006545
2021		0.62814	45191	3	1	0.005854
2022		0.55836	45721	4	1	0.003868
2023		0.709404	56534	5	1	0.00326
2024		0.641025	86884	6	1	0.003084
2019	CADBURY NIG PLC	0.656221	23000	1	1	0.003054
2020		0.564155	21400	2	1	0.003468
2021		0.495866	21930	3	1	0.002841
2022		0.378706	20237	4	1	0.001712
2023		-0.14694	27192	5	1	0.001568

2024		0.071811	25000	6	1	0.000887
2019	PZ CUSSON NIG PLC	0.591427	37987	1	1	0.005045
2020		0.503609	92769	2	1	0.015035
2021		0.38477	84871	3	1	0.010994
2022		0.366372	90871	4	1	0.007688
2023		0.466031	180379	5	1	0.010402
2024		0.3702	317220	1	1	0.011261
2019	GUINNESS NIG PLC	0.696152	38000	1	1	0.005046
2020		0.579606	38000	2	1	0.006159
2021		0.510297	38000	3	1	0.004922
2022		0.47263	38900	4	1	0.003291
2023		0.240236	43782	5	1	0.002525
2024		0.015236	43782	6	1	0.001554
2019	NIGERIA BREWERIES PLC	0.666827	56534	1	1	0.007508
2020		0.528383	61440	2	1	0.009958
2021		0.441772	65500	3	1	0.008484
2022		0.34306	70589	4	1	0.005972
2023		0.267509	113500	5	1	0.006546
2024		0.457449	148430	6	1	0.005269
2019	LAFARGE AFR. PLC	0.821597	107500	1	1	0.014276
2020		0.753583	85000	2	1	0.013776
2021		0.749359	91375	3	1	0.011836
2022		0.721049	120340	4	1	0.010181
2023		0.6917	77400	1	1	0.004464
2024		0.587849	120000	2	1	0.00426
2019	TOTAL ENERGIES PLC	0.250991	45034	1	1	0.005981
2020		0.235318	50281	2	1	0.008149
2021		0.236135	53750	3	1	0.006962
2022		0.194452	57513	1	1	0.004866
2023		0.177528	71700	2	1	0.004135
2024		0.184203	90000	3	1	0.003195
2019	ECOBANK PLC	0.079767	290000	1	1	0.038513
2020		0.078171	63949	2	1	0.010365
2021		0.078526	54282	3	1	0.007031

2022		0.069887	72620	4	1	0.006144
2023		0.063696	75270	5	1	0.004341
2024		0.064203	73245	6	1	0.0026
2019	STANBIC	0.964527	59000	1	1	0.007835
2020		0.938591	46000	2	1	0.007455
2021		0.751556	60000	1	1	0.007772
2022		0.654076	69000	2	1	0.005838
2023		0.855782	80000	3	1	0.004614
2024		0.871874	76000	4	1	0.002698
2019	AXAMANSARD INS. PLC	0.341698	38173	1	1	0.005069
2020		0.425485	38157	2	1	0.006184
2021		0.326019	26550	3	1	0.003439
2022		0.323663	36366	4	1	0.003077
2023		0.284498	42728	5	1	0.002464
2024		0.243848	49040	6	1	0.001741

YEAR	NAME OF COMPANY	NET INCOME	CASH FLOW	REVENUE	CHAN.IN REV	CHAN.IN REC	PPE	TOTAL ASSET
2018	AIRTEL	0	0	0		0	0	0
2019		2480450	25199160	3077000	3077000	19061	19061	3558331425
2020		408000	1087000	3422000	345000	132000	112939	1832000
2021		415000	1003000	3908000	486000	113000	-19000	2066000
2022		755000	847000	4714000	806000	123000	10000	2214000
2023		750000	841000	5255000	541000	145000	22000	2295000
2024		-89000	900000	4979000	-276000	184000	39000	1827000
2018	MTN	148630554	52806185	1037067731	1032088731	38485289	38301289	606962868
2019		20532029	114301003	1167418643	130350912	53594201	15108912	625095789
								1533441151

2020		21248200 0	27166800 0	134628800 0	178869357	53110000	-484201	686157000	197950300 0
2021		30682400 0	24762800 0	165292600 0	306638000	135958000	82848000	774113000	228610900 0
2022		38036100 0	32453200 0	201193500 0	359009000	212232000	76274000	928357000	274953300 0
2023		- 10451000 0	31558900 0	243247300 0	420538000	478826000	266594000	323963500 0	109511100 0
2024		- 36047600 0	23283200 0	336351300 0	931040000	338258000 0	290375400 0	427470400 0	124830400 0
2018	NESTLE	43008026	14368358	266274621	- 3.097E+09	42175062	-3.34E+09	73365523	162334422
2019		45683113	4242013	284035255	17760634	65820188	23645126	39393681	193374314
2020		39212025	58700658	287084037	3048782	39555290	-26264898	87256836	246184996
2021		40037277	10058854 7	351822329	64738292	43302758	3747468	98964157	310238504
2022		48965488	11798170 5	446819260	94996931	52237026	8934268	116739370	415044031
2023		- 79473781	16781525 1	547118754	100299494	16872846	-35364180	165383791	581774401
2024		- 16459502 2	22486486	958814739	411695985	11297682	-5575164	421154868	858693352
2018	UNILEVER	9132152	57144182	92899969	- 865914770	30188189	18890507	29677539	131843373
2019		-7419674	35458553	60486835	-32413134	24131026	-6057163	31957420	103677519
2020		-3965921	37100827	61959678	1472843	12957466	-11173560	27370607	91517538
2021		3409174	55697537	70523695	8564017	14992655	2035189	22376287	108288535
2022		4467084	66317782	88570826	18047131	21246606	6253951	21490568	125389892
2023		8439895	56698640	103879730	15308904	12284377	-8962229	18770920	116302344
2024		15143154	68439134	149522596	45642866	7786362	-4498015	22376767	141646696
2018	CADBURY	823085	4090204	35973479	- 113549117	3770169	-4016193	13291154	27528040
2019		1070845	4429219	39326807	3353328	4529668	759499	13477488	28801938
2020		931827	11115707	35407323	-3919484	3855773	-673895	12759383	33210684
2021		449712	17824131	42372034	6964711	4053339	197566	13018307	43688291
2022		583111	27447778	55212617	12840583	5164346	1111007	14070993	59743684

2023		- 22445813	20445005	80378955	25166338	7320449	2156103	14564239	64452683
2024		- 22224942	16339363	129165095	48786140	8259709	939260	16706145	72443944
2018	PZ CUSSON	1630557	12160166	58483029	-70682066	8310871	51162	26882195	74576119
2019		578355	1987131	47200919	-11282110	11493076	3182205	25858961	64315676
2020		-5936025	8573322	38939223	-8261696	4087173	-7405903	24628863	57616522
2021		901573	12812282	47832559	8893336	4954070	866897	23126484	69368708
2022		3783652	35830975	58264660	10432101	4748003	-206067	15137428	79875535
2023		8528438	58599818	67413111	9148451	7664616	2916613	14031271	110826000
2024		- 45575943	24896732	90810486	23397375	15071151	7406535	13472073	118112517
2018	GUINNESS	6717605	7451064	142975792	52165306	23890304	8819153	97602019	153254968
2019		5483732	-1788453	131498373	-11477419	26018700	2128396	100801064	160792627
2020		- 12578818	4961713	104376015	-27122358	18718953	-7299747	88919044	144145581
2021		1255338	35868834	160416257	56040242	14019385	-4699568	94236887	169406525
2022		15651362	69103716	206822127	46405870	14078900	59515	97685577	215660208
2023		- 18168041	92124683	229440861	22618734	11973298	-2105602	99177647	241748144
2024		- 54766776	45804346	299489774	70048913	13255730	1282432	101321397	226130077
2018	NIGERIA BREWERIES	19401169	13322278	324388500	24898726	35153451	21897721	203317850	388766316
2019		16104763	6358606	323002120	-1386380	20910443	-14243008	201362280	382503815
2020		7525621	30349614	337006267	14004147	10457436	-10453007	212369121	445437374
2021		12927163	16730029	437285189	100278922	24714756	14257320	255630534	482639565
2022		13925086	22151846	550477627	113192438	42837156	18122400	357922963	621318254
2023		- 10576922 2	39458309	598508761	48031134	49075068	6237912	440787687	797326993
2024		- 14433844 9	14933371 3	107488152 6	476372765	55973834	6898766	527012459	112626755 3
2018	LAFARGE	4141764	-7762363	187043475	- 887838051	11167705	-44806129	291775732	59629654
2019		22721616	23987649	188407004	1363529	20452686	9284981	308650770	500081653
2020		28714884	38483421	202530359	14123355	26255784	5803098	287447215	505332716
2021		53455912	43696638	262299071	59768712	32377152	6121368	273704651	534054123

2022		55032460	10525417 5	340633999	78334928	43149848	10772696	276696636	609182343
2023		48056437	15641055 7	372513521	31879522	49229247	6079399	295361723	689780550
2024		99687811	22450849 0	651024707	278511186	70511982	21282735	337473977	997632873
2018	TOTALENERGIE	7960893	- 16054454	307987896	- 343036811	52007770	-18504212	33855656	132520783
2019		2278979	- 18010135	292177202	-15810694	45434587	-6573183	35476862	135030878
2020		2063385	25272980	204721463	-87455739	41335763	-4098824	36207654	143612885
2021		16862130	62952682	341316345	136594882	63966447	22630684	38734517	208728966
2022		16118376	82724315	482470780	141154435	111391821	47425374	41866105	307815723
2023		12912544	32004468	635951600	153480820	152113177	40721356	43130868	375115673
2024		27496279	- 24387135	104190412 2	405952522	144135425	-7977752	61728482	471122676
2018	ECOBANK	-1786000	15494500 0	231227000	- 810677122	39682000	- 104453425	71977000	192788900 0
2019		1256000	13839600 0	194870000	-36357000	69167000	29485000	73813000	199104000 0
2020		88319	3800456	2201659	- 192668341	1128200	-68038800	810521	25939473
2021		357366	3986309	2335721	134062	1095569	-32631	750615	27561793
2022		366691	3382968	2529033	193312	1197175	101606	754011	29004169
2023		406923	3897835	2825255	296222	707	-1196468	588348	27230165
2024		493430	4941836	2830265	5010	361	-346	562809	27955172
2018	STANBIC IBTC	15499000	15533000	19468000	16637735	2923000	2922639	993000	126886000
2019		33727000	36240000	37882000	18414000	2923000	0	132000	126886000
2020		26369000	42145000	30775000	-7107000	9155000	6232000	137000	147243000
2021		32358000	53236000	37025000	6250000	6258000	-2897000	148000	156502000
2022		50695000	50294000	57041000	20016000	13199000	6941000	2040000	187998000
2023		47620000	15325000	57589000	548000	25830000	12631000	3446000	146341000
2024		43338000	7867000	63006000	5417000	19113000	-6717000	5462000	130934000
2018	AXAMANSARD INSURANCE PLC	1621216	4218348	23026817	-39979183	1674945	-17438055	1667654	53435737
2019		4839330	16133274	28014854	4988037	2908432	1233487	1784543	67597041
2020		2473255	16575948	27547903	-466951	2784292	-124140	2154801	69025523
2021		2490693	14227812	37546391	9998488	6844447	4060155	2404365	77021421

2022		4584107	11187664	41232119	3685728	7628911	784464	2717465	80849318
2023		66598840	19020869	50304582	9072463	2162827	-5466084	3232481	99205392
2024		16718558	17310395	84438975	34134393	2163732	905	3564639	126116914

Appendix Two: Output from Analysis using Eviews Version 12 Software

	FRQ	ADSIZ	ADFEE	ADIEX	ADFTE	FLEV
Mean	0.040642	0.500000	19.64864	0.363636	8.136364	0.448331
Median	0.037400	0.500000	20.03500	0.000000	8.000000	0.445400
Maximum	0.119300	1.000000	20.72000	1.000000	14.00000	0.797300
Minimum	0.000200	0.000000	14.40000	0.000000	2.000000	0.103900
Std. Dev.	0.028136	0.501905	1.160449	0.482878	2.632077	0.209505
Skewness	0.790392	0.000000	-2.137327	0.566947	0.025380	-0.029754
Kurtosis	3.276746	1.000000	8.248696	1.321429	2.584065	1.769016
Jarque-Bera	14.16506	22.00000	252.0181	22.56824	0.965684	8.353751
Probability	0.000840	0.000017	0.000000	0.000013	0.617027	0.015346
Sum	5.364800	66.00000	2593.620	48.00000	1074.000	59.17970
Sum Sq. Dev.	0.103703	33.00000	176.4102	30.54545	907.5455	5.749896
Observations	78	78	78	78	78	78

Covariance Analysis: Ordinary

Date: 18/09/25 Time: 07:08

Sample: 2019 2024

Included observations: 78

Covariance

Correlation

t-Statistic

Probability

	FRQ	ADSIZ	ADFEE	ADIEX	ADFTE	FLEV
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FRQ	0.000786					
	1.000000					

ADSIZ	-0.000999	0.250000				
	-0.071300	1.000000				
	-0.815023	----				
	0.4165	----				
ADFEE	-0.000178	0.056136	1.336441			
	-0.005500	0.097118	1.000000			
	-0.062710	1.112574	----			
	0.9501	0.2679	----			
ADIEX	0.000672	1.68E-18	0.006178	0.231405		
	0.049873	6.99E-18	0.011109	1.000000		
	0.569348	7.97E-17	0.126667	----		
	0.5701	1.0000	0.8994	----		
ADFTE	-0.007259	-0.363636	-0.425496	-0.231405	6.875344	
	-0.098766	-0.277364	-0.140370	-0.183459	1.000000	
	-1.131643	-3.291582	-1.616465	-2.127870	----	
	0.2599	0.0013	0.1084	0.0352	----	
FLEV	-0.00078	-0.001947	-0.019470	0.004389	0.000525	0.043560
	-0.022519	-0.018654	-0.080696	0.043713	0.000959	1.000000
	-0.256827	-0.212720	-0.923090	0.498878	0.010929	----
	0.7977	0.8319	0.3577	0.6187	0.9913	----

Dependent Variable: FRQ

Method: Panel EGLS (Cross-section random effects)

Date: 18/09/25 Time: 07:08

Sample: 2019 2024

Periods included: 6

Cross-sections included: 13

Total panel (balanced) observations: 78

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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ADSIZ	-0.005500	0.006012	-0.914865	0.3620
ADFEE	-0.000880	0.002126	-0.413762	0.6798
ADIEX	0.001880	0.006130	0.306770	0.7595
ADFTE	-0.001143	0.001059	-1.079500	0.2824
FLEV	-0.004940	0.011574	-0.426813	0.6702
C	0.071505	0.044454	1.608531	0.1102

Effects Specification

	S.D.	Rho
Cross-section random	0.007906	0.0782
Idiosyncratic random	0.027145	0.9218

Weighted Statistics

R-squared	0.016558	Mean dependent var	0.033085
Adjusted R-squared	-0.022467	S.D. dependent var	0.027022
S.E. of regression	0.027323	Sum squared resid	0.094068
F-statistic	0.424289	Durbin-Watson stat	1.958222
Prob(F-statistic)	0.831068		

Unweighted Statistics

R-squared	0.021039	Mean dependent var	0.040642
Sum squared resid	0.101522	Durbin-Watson stat	1.814453

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.663113	3	0.1982

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
ADFEE	-0.002093	-0.000880	0.000001	0.0870
ADFTE	-0.000238	-0.001143	0.000001	0.3171
FLEV	-0.008537	-0.004940	0.000012	0.2904

Cross-section random effects test equation:

Dependent Variable: FRQ

Method: Panel Least Squares

Date: 18/09/25 Time: 07:09

Sample: 2019 2024

Periods included: 6

Cross-sections included: 13

Total panel (balanced) observations: 78

WARNING: estimated coefficient covariance matrix is of reduced rank

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.087520	0.046493	1.882427	0.0625
ADSIZ	NA	NA	NA	NA
ADFEE	-0.002093	0.002241	-0.933725	0.3525
ADIEX	NA	NA	NA	NA
ADFTE	-0.000238	0.001392	-0.170871	0.8646
FLEV	-0.008537	0.012064	-0.707679	0.4807

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.239731	Mean dependent var	0.040642
Adjusted R-squared	0.069203	S.D. dependent var	0.028136
S.E. of regression	0.027145	Akaike info criterion	-4.206440
Sum squared resid	0.078842	Schwarz criterion	-3.660455
Log likelihood	302.6251	Hannan-Quinn criter.	-3.984577
F-statistic	1.405818	Durbin-Watson stat	2.331103
Prob(F-statistic)	0.121691		

Residual Cross-Section Dependence Test

Null hypothesis: No cross-section dependence (correlation) in residuals

Equation: Untitled

Periods included: 6

Cross-sections included: 13

Total panel observations: 78

Note: non-zero cross-section means detected in data

Cross-section means were removed during computation of correlations

Test	Statistic	d.f.	Prob.
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Breusch-Pagan LM	296.4984	231	0.0023
Pesaran scaled LM	3.047261		0.0023
Pesaran CD	-0.836366		0.4029

Dependent Variable: FRQ

Method: Robust Least Squares

Date: 18/09/25 Time: 07:10

Sample: 2019 2024

Included observations: 78

Method: S-estimation

S settings: tuning=1.547645, breakdown=0.5, trials=200, subsmpl=6,
refine=2, compare=5

Random number generator: rng=kn, seed=119277884

Huber Type I Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
ADSIZ	0.020054	0.006326	3.169897	0.0015
ADFEE	-0.003517	0.002660	-1.322407	0.1860
ADIEX	0.006995	0.006421	1.089487	0.2759
ADFTE	-0.003420	0.001234	-2.772087	0.0056
FLEV	-0.017247	0.014576	-1.183278	0.2367
C	0.150595	0.055570	2.710012	0.0067

Robust Statistics

R-squared	0.058371	Adjusted R-squared	0.021005
Scale	0.026053	Deviance	0.000679
Rn-squared statistic	17.02711	Prob(Rn-squared stat.)	0.004449

Non-robust Statistics

Mean dependent var	0.040642	S.D. dependent var	0.028136
S.E. of regression	0.030856	Sum squared resid	0.119964

Variance Inflation Factors

Date: 18/09/25 Time: 07:15

Sample: 0001 0078

Included observations: 78

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ADSIZ	2.66E-05	2.181274	1.090637
ADFEE	4.70E-06	298.7654	1.030657
ADIEX	2.74E-05	1.634126	1.039898
ADFTE	1.01E-06	12.1278	1.140437
FLEV	0.000141	5.663344	1.008725
C	0.002053	336.6034	NA

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.589321	Prob. F(2,70)	0.5562
Obs*R-squared	1.242869	Prob. Chi-Square(2)	0.5372

Test Equation:

Dependent Variable: RESID

Method: Least Squares

Date: 18/09/25 Time: 07:16

Sample: 0001 0078

Included observations: 78

Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ADSIZ	0.000390	0.005188	0.075251	0.9401
ADFEE	-0.000422	0.002211	-0.190656	0.8491
ADIEX	0.000422	0.005275	0.079997	0.9364
ADFTE	3.09E-05	0.001009	0.030572	0.9757
FLEV	-0.001898	0.012155	-0.156144	0.8762
C	0.008501	0.046175	0.184101	0.8542
RESID(-1)	0.092010	0.092872	0.990726	0.3237
RESID(-2)	0.033011	0.091165	0.362105	0.7179

R-squared	0.009416	Mean dependent var	6.31E-19
Adjusted R-squared	-0.046504	S.D. dependent var	0.027826
S.E. of regression	0.028466	Akaike info criterion	-4.221545
Sum squared resid	0.100476	Schwarz criterion	-4.046830
Log likelihood	286.6220	Hannan-Quinn criter.	-4.150549

F-statistic	0.168377	Durbin-Watson stat	1.994904
Prob(F-statistic)	0.991006		

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.439248	Prob. F(5,72)	0.8204
Obs*R-squared	2.261403	Prob. Chi-Square(5)	0.8119
Scaled explained SS	2.414521	Prob. Chi-Square(5)	0.7893

Test Equation:

Dependent Variable: RESID^2

Method: Least Squares

Date: 18/09/25 Time: 07:16

Sample: 0001 0078

Included observations: 78

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.001732	0.001906	-0.908641	0.3653
ADSIZ	-5.09E-05	0.000217	-0.234672	0.8148
ADFEE	0.000131	9.12E-05	1.438682	0.1527
ADIEX	-5.23E-06	0.000220	-0.023766	0.9811
ADFTE	-2.41E-06	4.23E-05	-0.057020	0.9546
FLEV	-7.08E-05	0.000500	-0.141631	0.8876

R-squared	0.01778	Mean dependent var	0.000768
Adjusted R-squared	-0.021871	S.D. dependent var	0.001181
S.E. of regression	0.001194	Akaike info criterion	-10.57914
Sum squared resid	0.000180	Schwarz criterion	-10.44810
Log likelihood	704.2232	Hannan-Quinn criter.	-10.52589
F-statistic	0.439248	Durbin-Watson stat	2.103055
Prob(F-statistic)	0.820391		

Ramsey RESET Test

Equation: UNTITLED

Specification: FRQ ADSIZ ADFEE ADIEX ADFTE FLEV C

Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.302197	71	0.7630
F-statistic	0.09783	(1, 71)	0.7630
Likelihood ratio	0.096402	1	0.7562

F-test summary:

	Sum of Sq.	df	Mean Squares
Test SSR	7.40E-05	1	7.40E-05
Restricted SSR	0.101431	72	0.000805
Unrestricted SSR	0.101357	71	0.000811

LR test summary:

	Value
Restricted LogL	285.9976
Unrestricted LogL	286.0458

Unrestricted Test Equation:

Dependent Variable: FRQ

Method: Least Squares

Date: 18/09/25 Time: 07:16

Sample: 0001 0078

Included observations: 78

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ADSIZ	0.009883	0.052424	0.188517	0.8508
ADFEE	0.000556	0.003761	0.147778	0.8828
ADIEX	-0.003065	0.016462	-0.186154	0.8526
ADFTE	0.002211	0.011774	0.187777	0.8514
FLEV	0.005783	0.033271	0.173812	0.8623
C	-0.048517	0.370977	-0.130783	0.8962
FITTED^2	32.25323	106.7293	0.302197	0.7630

R-squared	0.022622	Mean dependent var	0.040642
Adjusted R-squared	-0.024292	S.D. dependent var	0.028136
S.E. of regression	0.028476	Akaike info criterion	-4.227967
Sum squared resid	0.101357	Schwarz criterion	-4.075091
Log likelihood	286.0458	Hannan-Quinn criter.	-4.165845
F-statistic	0.482201	Durbin-Watson stat	1.819091
Prob(F-statistic)	0.820590		

