CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In recent years, auditors had been blamed due to their perceived roles in significant corporate scandals such as Enron, WorldCom, and Tyco International in the United States, as well as Cadbury Nigeria Plc, African Petroleum Plc, and Oceanic Bank in Nigeria. These events have raised serious concerns about the independence of auditors, particularly in cases where there is a long-standing relationship between the auditor and the client (Ihenyen & Augustine-Desi, 2023). Critics argue that prolonged audit firm tenure can lead to familiarity threats, which may reduce professional skepticism and compromise audit quality (Sanni et al., 2021). Moreover, it is believed that some audit firms prioritize the provision of non-audit services over audit responsibilities, thereby blurring the boundaries of independence and weakening the reliability of financial reporting (Ihenyen & Augustine-Desi, 2023).

The integrity and transparency of financial reporting are fundamental to the confidence of investors, regulators, and other stakeholders in capital markets. Financial reports serve as a primary means of communicating a firm's economic performance, position, and prospects, which in turn inform strategic investment decisions and resource allocations. However, the quality of financial reporting can be influenced by several factors, one of which is the external audit process. An external audit is an independent and objective evaluation of an organization's financial statements, typically conducted by a certified auditor who is not an employee of the organization (IAASB, 2020). The main purpose of an external audit is to provide assurance that the financial statements are free from material misstatement and fairly represent the financial

position and performance of the entity in accordance with established accounting standards. External auditors play a crucial role in evaluating a firm's financial statements to ensure they are free from material misstatements, whether due to fraud or error.

Audit firm tenure refers to the length of time an external audit firm has continuously served as the auditor for a particular client or organization. It is typically measured in years and reflects the duration of the auditor-client relationship (Appiah et al., 2022). Audit firm tenure has been a subject of considerable debate, long audit tenure seems to improve audit quality, as the auditor becomes more familiar with the client's operations, internal controls, and industry specifics. This knowledge can improve the effectiveness and efficiency of audit procedures (Owolabi & Obida, 2020). However, long audit firm tenure also affects auditor freedom or independence. Familiarity threats may emerge as auditors become too aligned or overly sympathetic to the interests of their clients, thereby reducing their objectivity and professional skepticism. This can affect the credibility of audits process and lower financial reporting quality (Appiah et al., 2022).

To guide the duration of audit firms' tenure, several regulatory frameworks have been established globally, this include those by the International Federation of Accountants (IFAC) and Nigeria's Financial Reporting Council (FRC), which recommend mandatory audit firm rotation or limits on audit engagement tenure. These regulations are set to monitor auditors activities and promote auditor independence. However, the effectiveness of mandatory audit firm rotation remains unclear, with studies showing mixed results on whether shorter or longer tenures are more beneficial for financial reporting quality (Asiriuwa, Ogbodo, & Nwaiwu, 2021). Comparative studies across different countries reveal different outcomes. In the United States,

Can et al. (2023) found that extended audit firm tenure does not necessarily compromise audit quality, especially where strong regulatory enforcement and institutional frameworks are present to check auditor complacency. However, in emerging markets such as Nigeria, recent studies by Ihenyen and Augustine-Desi (2023) and Matemilola et al. (2023) report that prolonged audit tenure tends to increase the likelihood of earnings management, due to weaker oversight structures and compromised auditor independence. Similarly, in Indonesia, Rachmawati and Sari (2024) discovered that audit quality initially improves with tenure due to better client understanding but starts to decline after a certain period supporting the existence of a "U-shaped" relationship.

In the European context, studies continue to show mixed results. Steinberger and Velte (2023) observed that in Germany, mandatory audit firm rotation led to modest improvements in audit quality in the early years but also introduced increased audit costs and transition challenges. In China, Wei and Zhang (2024) found that longer auditor tenure enhanced audit quality in state-owned enterprises, where regulatory controls and political oversight reduce independence risks. However, among private firms, the same tenure length had no significant effect on audit quality, emphasizing the role of ownership and governance context. Overall, these cross-country comparisons affirm that the impact of audit firm tenure on financial reporting quality is not universally consistent but rather depends on contextual variables such as the strength of legal institutions, the structure of the audit market, ownership dynamics, and regulatory capacity. In Nigeria, where institutional enforcement is still evolving and auditor-client relationships are often personal and enduring, excessively long audit tenures may elevate risks to auditor independence. Thus, regulatory reform should be context-sensitive and not merely adopt international best practices without adaptation. Striking a balance between auditor familiarity and

objectivity remains essential to improving audit effectiveness and the overall reliability of financial reporting in emerging markets like Nigeria.

1.2 Statement of the Research Problem

High-quality financial reporting is critical for investor trust, corporate transparency, and efficient market functioning. However, concerns remain about how audit firm tenure affects financial reporting quality, especially in emerging economies like Nigeria. While some researchers are of the opinion that longer auditor tenure enhances audit quality due to improved client understanding (Owolabi & Obida, 2020), others state that excessive familiarity over time may affect auditor independence and objectivity (Appiah et al., 2022).

In Nigeria, recent financial scandals and persistent issues of earnings manipulation have resulted in debate around the role of long-term auditor-client relationships on the quality of financial reporting. Corporate failures have raised concerns about auditor independence and effectiveness, particularly in environments where long audit firm tenure may lead to familiarity threats. In response, regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) have advocated for mandatory auditor rotation to enhance auditor objectivity and restore public confidence in corporate financial disclosures (FRCN, 2023). Recent empirical studies provide inconclusive evidence regarding the actual impact of audit firm tenure on financial reporting quality. Ihenyen and Augustine-Desi (2023) found a negative association between prolonged audit tenure and financial reporting quality among Nigerian non-financial firms, suggesting increased susceptibility to earnings management. Conversely, Omodero and Okafor (2024) reported that audit firm tenure had no significant effect on financial reporting quality, emphasizing that other factors such as audit firm size, regulatory enforcement, and corporate governance mechanisms may play more dominant roles. Putra and Wibowo (2024) considered

the firms in Indonesia and found that longer audit tenure enhanced financial reporting reliability only in firms with strong internal control systems. In Spain, García-Benau et al. (2025) revealed that mandatory audit firm rotation did not significantly improve financial reporting quality.

Given the conflicting findings in the literature and the need for credible financial reporting in Nigeria, it is important to further investigate whether audit firm tenure significantly affects the quality of financial reporting or not. Therefore, this study will examine the effect of audit firm tenure on the financial reporting quality of firms in Nigeria.

1.3 Research Questions

This research work is motivated to answer the following research questions:

1. What is the effect of short-term audit tenure on firms' financial reporting quality?
2. What is the effect of long-term audit tenure on firms' financial reporting quality?
3. Does audit partner rotation affect firms' financial reporting quality?
4. What is the effect of Audit-firm rotation on firms' financial reporting quality?
5. What is the effect of audit fees on firms' financial reporting quality?

1.4 Objectives of the Study.

The general objective of this study is to examine the effect of audit firms' tenure on the financial reporting quality of firms operating in Nigeria. The specific objectives are to:

1. assess the effect of short-term audit tenure on firms' financial reporting quality;
2. examine the effect of long-term audit tenure on firms' financial reporting quality;
3. determine the impact of audit partner rotation on firms' financial reporting quality;
4. determine the effect of audit rotation on firms' financial reporting quality;
5. assess the effect of audit fees on firms' financial reporting quality; and

1.5 Research Hypotheses

The research hypotheses are stated in their null form and are derived from the objectives of the study as follows:

H_{o1}: Short term audit tenure has no significant effect on firms' financial reporting quality.

H_{o2}: Long term audit tenure has no significant effect on firms' financial reporting quality.

H_{o3}: Audit partner rotation has no significant effect on firms' financial reporting quality.

H_{o4}: Audit rotation has no significant effect on firms' financial reporting quality.

H_{o5}: Audit fees have no significant effect on firms' financial reporting quality.

1.6 Significance of the Study

This study is significant as it aims to examine the impact of audit firm tenure on the quality of financial reporting. Understanding this relationship is essential, as the duration of an auditor's engagement with a firm may influence the auditor's independence, objectivity, and overall audit quality. The findings will serve as a valuable guide for corporate managers and boards of directors in selecting external auditors by highlighting the importance of tenure as a key attribute that can affect financial reporting outcomes. Furthermore, the study will provide useful insights for students, particularly those in management and accounting disciplines, enhancing their understanding of corporate governance and auditing practices. It will also contribute to academic literature and serve as a foundation for future research on audit quality and corporate transparency.

1.7 Scope of the Study

This study focuses on the effect of audit firms' tenure on financial reporting quality and cover the period 2020 to 2024, which is a period of five years. The population of the study are

the 154 firms in all the 11 sectors, which are (Agriculture, Conglomerates, Healthcare, Service, Financial service, consumer goods, construction, Information Communication Technology, Industrial goods, Natural Resources and Oil & Gas) listed on the Nigeria Exchange Group (NGX, 2024). The sample to be used in this study are the 10 largest companies from all the sectors on the Nigeria Exchange Group and this companies are Dangote cement, MTN Nigeria, Airtel Nigeria, BUA Cement, Nestle Nigeria, BUA Foods, Zenith Bank, Guaranty Trust Holding company PLC, First Bank of Nigeria and Stanbic IBTC Holding. The samples were selected based on the market capitalization of the companies as at December 2024. The data for this study will be extracted from the selected companies yearly annual report.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter goes into detail discussion of related ideas and reviewing relevant theories that relate to the effect of audit firms' tenure on the financial reporting quality of firms in Nigeria. This study will investigate relevant prior studies of many academics and researchers. The chapter will therefore be divided into four major sections which will include: introduction, conceptual framework, empirical review and theoretical review.

2.1 Conceptual Framework

This chapter seeks to explain key concepts used in the study, particularly Audit firm tenure and Firm Financial Reporting Quality.

2.1.1 Concept of Firm Financial Reporting Quality

Financial Reporting Quality (FRQ) plays a pivotal role in ensuring transparency, accountability, and efficiency in capital markets. It provides stakeholders such as investors, regulators, and creditors with reliable and relevant information to make informed decisions (Ejeagbasi et al., 2021). Although there is no universally agreed definition, the concept of FRQ is commonly associated with the extent to which financial statements reflect a firm's true economic position and are free from material misstatements or earnings manipulation (Tang et al., 2015; Obigbemi et al., 2016). High-quality financial reports are expected to be relevant, faithfully represented, timely, and complete, aligning with the qualitative characteristics outlined in accounting frameworks such as IFRS (Alkurdi et al., 2017). Ejeagbasi wt al., (2021) define financial reporting quality as the extent to which financial statements convey transparent,

verifiable, and unbiased information that can be relied upon by investors, regulators, and other users. This emphasizes transparency and user confidence as central to the quality of reporting.

Alkurdi et al., (2017), describe financial reporting quality as the extent to which financial statements provide true and fair information about the firm's financial performance and position, useful for decision-making by users. Obigbemi et al. (2016) define financial reporting quality as the capacity of financial reports to reflect a company's operations and financial status without distortions, enabling stakeholders to make well-informed decisions. Lastly, Tang et al. (2015) describe financial reporting quality as the degree to which the reported earnings reflect the firm's actual economic performance and are free from earnings management. High-quality financial reporting is fundamental to good corporate governance, investor confidence, and efficient capital markets. It measures how faithfully financial statements reflect a firm's underlying economic reality characterised by accuracy, relevance, timeliness, and completeness.

In emerging economies like Nigeria, where regulatory enforcement and corporate governance mechanisms continue to evolve, ensuring robust financial reporting quality (FRQ) is especially urgent (Ezeala & Nwachukwu, 2023). Financial reporting quality reduces information asymmetry between managers and external stakeholders, thereby lowering agency costs and enhancing firm valuation (Biddle et al., 2009). Auditor-related factors such as audit firm tenure, independence, size, and expertise are critical determinants of financial reporting quality in Nigeria. For instance, Ezeala and Nwachukwu (2023) assessed audit tenure among listed non- financial firms and found a positive but statistically insignificant relationship with accrual quality, highlighting the effect of long auditor-client relationships.

Ihenyen and Augustine- Desi (2023) studied manufacturing firms and concluded audit firm tenure had no significant impact on reporting reliability, suggesting that broader regulation of

audit firms rather than individual tenure interventions may be more effective in promoting financial reporting quality.

Additionally, Oziegbe and Odien (2022) explored auditor tenure in relation to auditor independence and firm characteristics, linking longer tenure to compromised audit quality and greater earnings manipulation risk. These empirical findings underscore the complex relationship between audit tenure and reporting quality in Nigerian firms. Other determinants include internal controls, audit committee effectiveness, board structure, and firm-specific attributes such as size, age, leverage, and profitability (Olaoye & Akintayo, 2022). In Nigeria, weak governance frameworks, inconsistent enforcement, and historical financial scandals have wiped public trust, calling for strengthened corporate reporting standards (Okaro & Okafor, 2019). Regulatory reforms by bodies such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC) aim to improve transparency, yet compliance remains uneven.

Measurement of Financial Reporting Quality

Financial reporting quality (FRQ) reflects the extent to which financial statements faithfully represent a firm's economic performance and provide useful information to stakeholders. Financial reporting quality cannot be directly measured there it is mostly assessed using different methods of measurement. Common measures include:

Accrual-Based Measures: Accrual-based measures are the most widely used proxies for FRQ. The Modified Jones model (Dechow et al., 1995) and its variants estimate discretionary accruals, which are interpreted as indicators of earnings management. High absolute discretionary accruals suggest lower FRQ, as they reflect managerial discretion aimed at manipulating reported earnings. The Dechow & Dichev (2002) model measures accrual quality, defined as the degree to which current accruals map into future and past cash flows. Low residuals in the accrual-cash

flow relationship indicate high quality. These models have been extensively applied in emerging markets to investigate governance and audit influences on financial reporting quality (Olayinka & Ezejiofor, 2019).

Real Earnings Management (REM): Real earnings management occurs when managers alter operational decisions (e.g., overproducing to reduce cost per unit, cutting R&D or advertising, offering steep discounts) to achieve earnings targets (Roychowdhury, 2006). Although less visible in the short term, real earnings management can be more damaging to long-term firm value. Abnormal levels of cash flows, production costs, and discretionary expenses are used to detect real earnings management. Studies show that firms may switch to real earnings management when accrual manipulation is constrained, making real earnings management a critical complementary proxy for FRQ (Enofe et al., 2020).

Restatements and Enforcement Actions: Restatements occur when firms revise previously issued financial statements due to errors or misstatements. Similarly, sanctions or enforcement actions by regulatory bodies signal weaknesses in financial reporting. While these are binary indicators, they provide high-credibility evidence of low financial reporting quality. However, they are more common in developed countries where disclosure is mandatory. In Nigeria, researchers use enforcement records and regulatory actions (e.g., by FRCN) as proxies (Uwuigbe et al., 2017; Onaolapo & Omoolorun, 2020).

Big 4 Auditor Affiliation: Audit quality is a structural determinant of FRQ. Engagement with a Big 4 audit firm (PwC, EY, KPMG, Deloitte) is widely used as a proxy for higher reporting quality. Big 4 firms are presumed to possess more technical expertise, better resources, and greater reputational concerns, leading to higher audit effort and reduced likelihood of earnings management (Francis & Yu, 2009). Empirical evidence suggests that firms audited by Big 4

firms tend to have lower discretionary accruals and higher market credibility (Enofe et al., 2013; Okolie, 2014). The big 4 auditor affiliated measurement with be used for the purpose of the study because of it ability to reduce discretionary accruals.

Importance of Financial Reporting Quality

Financial Reporting Quality (FRQ) plays a crucial role in the functioning of firms and the overall health of the economy. Its importance can be outlined as follows:

- Investor Confidence: High-quality financial reports provide investors with reliable and transparent information about a company's financial position and performance. When investors can trust the accuracy and completeness of financial statements, their perception of risk is reduced. This trust encourages more investment in the firm, improves stock market participation, and ensures that capital is allocated to its most productive uses. Conversely, poor-quality reporting can lead to misinformation, loss of credibility, and potential withdrawal of investment (Dechow, Ge, & Schrand, 2010).
- Cost of Capital: Firms with better financial reporting quality often enjoy a lower cost of capital. This is because transparent reporting reduces information asymmetry between managers and external stakeholders. When investors and creditors are confident in the financial disclosures, they demand lower risk premiums. As a result, firms can access financing at more favorable terms, leading to greater opportunities for growth and expansion (Lambert, Leuz, & Verrecchia, 2007).
- Corporate Governance: Financial reporting quality is closely linked with the strength of a company's governance mechanisms. Strong corporate governance practices, such as having an independent board of directors, effective audit committees, and external auditors with integrity, ensure that management prepares reports that reflect the true financial state of the company. As

Alzoubi (2016) notes, high-quality reporting acts as an outcome of good governance by reducing earnings management and aligning managerial actions with shareholder interests.

- Regulatory Compliance: Compliance with accounting standards such as International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) is a critical aspect of financial reporting. High-quality reports ensure that firms meet these requirements, thereby avoiding penalties, litigation, or reputational damage. Furthermore, adherence to regulatory frameworks strengthens cross-border comparability, which is especially important for multinational corporations and foreign investors (Onaolapo & Omoolorun, 2020).
- Contracting Efficiency: Financial reports are essential tools in designing and enforcing contracts between firms and their stakeholders, such as lenders, investors, and suppliers. High-quality reporting reduces information gaps, enabling creditors to design effective debt covenants and investors to assess performance more accurately. This minimizes disputes, enhances accountability, and ensures efficient monitoring of contractual obligations. It also reduces agency conflicts by aligning the interests of managers with those of shareholders (Watts & Zimmerman, 1986).
- Market Efficiency: Accurate, consistent, and timely financial reporting enhances the efficiency of capital markets. When all market participants have access to high-quality information, stock prices are more likely to reflect the true value of a company. This reduces the likelihood of mispricing, insider trading, and speculative bubbles. Moreover, transparent reporting promotes fair competition among firms and boosts overall economic stability by allowing better allocation of resources (Bushman & Smith, 2001).

Challenges in Measuring Financial Reporting Quality

Despite its importance, measuring financial reporting quality presents several challenges, which include:

- Unobservable Nature: Financial reporting quality is inherently unobservable because it represents the degree to which financial statements reflect the underlying economic reality of a firm. Unlike tangible variables such as revenue or assets, there is no direct measure of "quality." As a result, researchers and regulators must depend on indirect proxies such as earnings persistence, accrual quality, value relevance, or the incidence of restatements. However, these proxies often capture only one aspect of reporting quality, leaving other important dimensions unmeasured. This unobservability makes FRQ a latent construct, which complicates both empirical research and policy evaluation (Dechow, Ge, & Schrand, 2010).
- Managerial Intent: Distinguishing between legitimate accounting discretion and opportunistic earnings management poses a serious challenge. Managers often have flexibility under accounting standards (e.g., IFRS or GAAP) to make estimates and judgments about depreciation, provisions, or revenue recognition. While some choices reflect genuine business decisions aimed at improving the faithful representation of financial reports, others may be motivated by incentives such as meeting earnings targets, reducing tax liabilities, or influencing investor perceptions. The difficulty lies in determining whether deviations in reported figures are a result of good-faith judgments or deliberate manipulation. This ambiguity introduces subjectivity in the assessment of FRQ (Leuz, 2018).
- Data Availability: In emerging markets such as Nigeria, access to high-quality, firm-level data on restatements, regulatory enforcement actions, or internal control weaknesses is limited. Many firms operate with minimal disclosure requirements, and enforcement agencies may lack

the resources or independence to publish comprehensive findings. This scarcity of reliable data limits researchers' ability to construct robust proxies for FRQ and hampers cross-country comparisons. For example, Enofe et al. (2020) highlight that weak institutional frameworks and inconsistent reporting standards in Nigeria create gaps in the measurement of reporting quality, compared to developed economies where audit inspection reports, enforcement outcomes, and restatement data are more readily available.

- Context Specificity: Measures of FRQ are highly context-dependent. A proxy that effectively captures reporting quality in developed economies may not be valid in emerging economies due to institutional, cultural, and enforcement differences. For example, accrual-based measures may work well in the U.S. but could be misleading in Nigeria, where weak enforcement and informal sector dominance affect financial disclosures. Similarly, investor protection laws, litigation risks, and regulatory capacity vary across jurisdictions, which influences the extent to which managers are incentivized to produce high-quality reports. Okolie (2014) stresses that contextual differences must be considered when applying or interpreting FRQ measures across regions.
- Multiple Dimensions: Financial reporting quality is a multidimensional construct encompassing reliability, relevance, comparability, and timeliness. A single measure often captures only one or two dimensions while ignoring others. For example, value relevance captures the association between accounting numbers and market prices but does not account for timeliness; accrual quality emphasizes reliability but may not reflect comparability across firms. This multidimensionality creates challenges for researchers and practitioners, as relying on one proxy can lead to biased conclusions. DeFond & Zhang (2014) argue that a holistic approach,

using multiple complementary measures, is essential to provide a more comprehensive assessment of FRQ.

2.1.2 Concept of Audit Firm Tenure

Audit firm tenure refers to the continuous period during which an external audit firm has been engaged by a client to perform audit services. Audit firm tenure refers to the duration or length of the audit engagement between an external auditor and a particular client. It is an important variable in the audit literature due to its implications for audit quality, independence, and credibility of financial reporting. Various researchers have defined audit firm tenure, offering different perspectives based on its role and measurement. Okolie (2016) defined audit firm tenure as the number of consecutive years an audit firm has audited a particular client. This definition reflects a basic chronological view and is widely adopted in empirical studies.

Umar and Musa (2020) define audit tenure as the length of time an auditor has maintained a continuous professional relationship with a client in rendering audit services. Their definition emphasizes continuity and professional engagement, highlighting the possibility of deeper auditor-client familiarity over time. Garba (2021) describes audit firm tenure as the period during which the same audit firm is retained by a client to conduct its statutory audit without interruption. This definition introduces the idea of retention and consistency which includes knowledge accumulation. Ejeagbasi et al. (2021) frame audit firm tenure as the duration in years an audit firm has been engaged by a firm, either as a result of renewal or regulatory allowance, to provide external audit functions. This definition captures both regulatory considerations and contractual renewals. Adeniyi and Mieseigha (2015) define audit tenure as a time-based measure used to assess how long a particular audit firm has been responsible for auditing the financial

statements of a client. This definition is useful for distinguishing between short and long tenures in assessing audit quality outcomes.

Audit firm tenure has drawn significant attention in the auditing literature, primarily due to its perceived impact on audit quality, auditor independence, and client-auditor relationships. Audit firm tenure can be defined as the uninterrupted period during which an audit firm has been engaged by a client to conduct its external audit. It is distinct from audit partner tenure, which pertains to the individual auditor's duration of engagement. The term "tenure" applies to both short-term and long-term engagements and often relates to whether the engagement promotes objectivity or fosters over-familiarity. Proponents of longer audit firm tenure argue that the extended relationship allows auditors to accumulate deeper knowledge of the client's operations, internal controls, and industry-specific risks. This accumulated knowledge is believed to enhance the efficiency and effectiveness of the audit process, reduce the risk of material misstatements, and promote better-informed audit judgments (Okolie, 2016; Garba, 2021). Therefore, long tenure is seen as a contributor to improved audit quality through better familiarity and risk assessment. On the other hand, critics of long audit firm tenure highlight potential threats to auditor independence.

Over time, prolonged relationships may create a level of familiarity between the auditor and management, which could reduce professional skepticism and impair objectivity. The risk is that auditors may become too comfortable or economically dependent on the client, leading to compromised judgment or a reluctance to challenge management assertions (Adeniyi & Mieseigha, 2015; Umar & Musa, 2020). These concerns have prompted regulatory interventions in several jurisdictions, including the enforcement of mandatory audit rotation or limitations on tenure.

In contrast, short audit firm tenure may limit the auditor's understanding of the client's unique context, leading to a steeper learning curve and potentially lower audit efficiency. New auditors may struggle with understanding complex transactions or internal control systems, which could affect the scope and depth of the audit procedures. As a result, the quality of audits during the early years of engagement may be inconsistent (Ijeoma, 2019). Recent literature continues to reflect this inconsistency. Some studies maintain that longer tenure improves audit quality due to increased competence and client understanding, while others caution against over-reliance on such relationships due to threats to independence (Ejeagbasi et al., 2021; Nwanyanwu, 2022). These divergent views suggest that the effect of audit firm tenure on audit outcomes is not linear but context-dependent, influenced by other variables such as audit firm size, audit fees, client governance structure, and the regulatory environment.

Measurement of Audit Firm Tenure

Audit tenure refers to the length of time an audit firm or individual auditor has continuously provided audit services to a particular client. In accounting and auditing research, audit tenure has been conceptualized as a key determinant of audit quality, auditor independence, and financial reporting credibility. Audit tenure has different approaches for measurement, and this provides clarity and allows researchers to examine diverse aspects of the auditor-client relationship.

Grouping of Audit Tenure into Phrases: This method is particularly useful in capturing the non-linear nature of the tenure and audit quality relationship. Audit tenure is classified as short-term (1–3 years), medium-term (4–9 years), and long-term (10 years and above). The non-linear nature of the tenure and audit quality relationship implies that auditors in the early years may face a steep learning curve, which could reduce audit effectiveness. In the medium phase, audit

quality may peak as auditors combine independence with accumulated knowledge, while in the long term, the risk of reduced independence may outweigh knowledge benefits. This categorization reveals that the relationship between audit tenure and reporting quality may not be strictly linear.

Audit Partner Rotation: Audit partner rotation refers to the mandatory or voluntary replacement of the lead audit engagement partner responsible for signing off on the audit report while the audit firm remains the same. The practice is intended to reduce the familiarity threat that may arise from prolonged relationships between auditors and client management, thereby strengthening professional skepticism (Krauss & Zülch, 2019). Regulatory frameworks such as those of the International Ethics Standards Board for Accountants (IESBA) and national oversight bodies now mandate partner rotation within fixed periods, typically five to seven years, to preserve auditor objectivity (FRC, 2020). Recent studies highlight that partner rotation introduces fresh perspectives into the audit process, reduces opportunities for earnings management, and enhances investor confidence in reported figures (Chi et al., 2022; Alzoubi, 2022).

Audit Firm Rotation: Audit-firm rotation refers to the practice of periodically changing the external audit firm engaged by a company to provide independent assurance on its financial statements and internal control systems. The aim is to enhance audit quality and independence by mitigating the potential risks associated with prolonged auditor-client relationships (Sylvester & Famous, 2016). Segun and Ebipanipre (2013) stated that the idea behind audit-firm rotation lies in the belief that long-term audit relationships may compromise the objectivity and skepticism of auditors, leading to potential conflicts of interest. By periodically rotating audit firms, companies aim to introduce fresh perspectives and promote a rigorous evaluation of financial reporting

practices. Patrick and Henning (2013) explained that audit-firm rotation brings several potential benefits. Firstly, it can foster the development of a competitive audit market, ensuring a wider pool of firms to choose from and promoting innovation and quality improvements within the profession. Secondly, it reduces the risk of familiarity and complacency, as new auditors approach the audit process with a fresh set of eyes and a different perspective. Finally, it enhances the perception of auditor independence, reinforcing stakeholders' confidence in the financial reporting and strengthening governance.

2.2 Empirical Review

There have been numerous studies on how audit firm attributes could enhance firms' performance in emerging countries and developed countries, particularly in Nigeria. This section therefore seeks to review previous research findings on how audit firm tenure could enhance firm financial reporting quality.

Asogba et al., (2024) investigated the broader concept of audit quality including audit firm size, audit fee, audit tenure, and audit committee expertise and its impact on financial reporting quality among 50 non-financial firms across 10 sectors in Nigeria from 2015 to 2022. The researchers used a stratified sampling technique and analyzed panel data using pooled, fixed, and random effects estimators. According to the Hausman and LM tests, the preferred model showed that audit firm tenure had a positive but statistically insignificant effect on accrual-based earnings quality. The results suggest that while tenure may imply familiarity and improved understanding, it does not translate into noticeable improvements in reporting accuracy under the measured context. The study also found significant negative effects of audit fees and audit committee expertise on reporting quality.

Okoye & Udeh (2024) examined the relationship between audit firm tenure and financial reporting credibility for 30 Nigerian agricultural firms listed on the Nigerian Stock Exchange, covering the period 2010–2022. A purposive sample included firms across agricultural sub-sectors such as food processing, agro-chemicals, and agribusiness. The research used panel data regression with both linear tenure and tenure-squared terms to test for non-linear effects. Annual report data informed measurements of accrual-based earnings quality and audit outcomes (such as qualified opinions and restatements). Findings indicated that audit tenure beyond eight years significantly increased the likelihood of audit qualifications and restatements—signaling reduced credibility and potential audit complacency. Shorter audit tenures (under five years) were associated with relatively high reporting quality. Nguyen and Truong (2024) explored audit firm tenure and financial reporting quality among 45 Vietnamese banking and technology firms from 2010–2022. The study adopted an explanatory design with purposive sampling from two high-risk sectors and used a Modified Jones model to estimate discretionary accruals. Random effects panel regression results showed that audit tenure up to 5 years improved reporting quality, but beyond 7 years, the marginal benefits declined substantially.

Hadiza and Abba (2024) examined the effects of audit fees and audit tenure on earning management. The longitudinal study focused on deposit money banks (DMBs) listed on the Nigerian Exchange, covering the period 2011–2021. Using a sample of 12 banks, selected based on data availability, the researchers applied Generalized Method of Moments (GMM). The key finding was that audit tenure had a positive and statistically significant coefficient ($\beta = 0.1405$, $p < .001$), indicating that longer tenure was associated with higher levels of discretionary earnings suggesting compromised audit independence. By contrast, higher audit fees significantly reduced earnings management ($\beta = –0.1461$, $p < .000$). The study concluded that

while audit fees help curb manipulative reporting, extended audit firm retention may exacerbate earnings manipulation.

Yakubu & Mensah (2024) investigated audit firm tenure and the conservatism of financial reporting among 35 listed firms in Ghana over the period 2011–2022. The researchers used an ex-post facto panel design, purposively selecting firms in sectors including finance, manufacturing, retail, and energy. Financial data were gathered from annual reports, with accrual quality measured via discretionary accruals and accounting conservatism assessed using the Basu model. Panel regression with random effects tested the relationship between audit tenure and conservatism. The study found that tenures up to six years were positively associated with accounting conservatism, indicating prudent reporting behavior. However, conservatism declined substantially when tenure exceeded six years, suggesting that extended auditor-client relationships may compromise conservative reporting.

Olateru-Olagbegi et al., (2024) explored audit firm dynamics and timeliness of financial reporting among financial services firms (primarily deposit money banks and insurance companies) listed in Nigeria from 2013 to 2023. Using purposive sampling, the researchers selected 25 firms and employed panel regression techniques to assess the effects of audit firm tenure (consecutive engagement years) and audit fees on the timeliness of financial reports. They found that longer audit firm tenure was associated with significant delays in reporting, suggesting reduced auditor urgency or diminished independence. Higher audit fees, by contrast, were linked to improved timeliness. Adeyemi & Oladipo (2023) studied the effect of audit firm tenure on financial reporting quality across 40 listed non-financial firms in Nigeria over the ten-year span from 2013 to 2022. The study employed an ex-post facto design and purposive sampling, targeting firms in sectors such as consumer goods, agriculture, manufacturing, and

utilities. Data from annual financial statements were collected and analyzed using panel regression (Fixed Effects) to control for firm-specific and time effects. Audit tenure was measured in years, with accrual quality captured through discretionary accruals derived via a modified Jones model. The results revealed an inverted-U shaped relationship, where accrual quality improved during the initial 4–6 years of audit engagement but significantly deteriorated as tenure exceeded six years. The authors interpreted this as evidence of early benefits from auditor familiarity, followed by reduced independence in later years.

Ezeala & Nwachukwu (2023) investigated the effect of audit firm tenure on the financial reporting quality of non-financial firms listed in Nigeria. The study adopted an ex-post facto design, drawing on financial data from 23 purposively selected firms across various sectors such as consumer goods, technology, and services over a ten-year period spanning 2012 to 2021. Using Ordinary Least Squares (OLS) regression with controls for firm and year effects, the authors explored the impact of audit tenure on accrual quality, measured through discretionary accruals. The findings revealed a positive but statistically insignificant relationship between audit tenure and accrual quality. This suggests that longer relationships between auditors and clients may introduce certain efficiencies or familiarity benefits, but these do not significantly improve the credibility of financial reports. The authors highlighted the risk of excessive familiarity, which could compromise auditor independence over time.

Ihenyen & Augustine-Desi (2023) examined the influence of auditor-client engagement length on the reliability of financial reports among Nigerian manufacturing firms. Using an ex-post facto research design, the authors collected data from 12 publicly listed manufacturing firms on the Nigerian Stock Exchange for the five-year period from 2018 to 2022. The study adopted the Modified Jones Model to estimate discretionary accruals and used panel data multiple

regression analysis to assess the relationship between audit tenure and reporting quality. The analysis indicated that audit firm tenure had no statistically significant effect on the reliability of financial reports. The results imply that within the manufacturing sector, lengthy auditor engagement does not necessarily translate into enhanced earnings quality.

2.3 Theoretical Framework

2.3.1 Agency Theory

The theoretical foundation of this study is anchored in Agency Theory, as introduced by Jensen and Meckling (1976). Agency theory explains the relationship between two parties: the principal (shareholders) and the agent (management), where the agent is entrusted with decision-making authority on behalf of the principal. This separation of ownership and control can lead to agency problems, as managers may pursue personal interests that are not aligned with those of the shareholders. As a result, mechanisms are required to monitor managerial actions and ensure accountability. One of the key mechanisms used to mitigate agency conflicts is the appointment of independent external auditors, whose role is to provide an unbiased assessment of the financial statements prepared by management (Watts & Zimmerman, 1986). The auditor serves as an intermediary, reducing information asymmetry between management and shareholders by enhancing the credibility of financial reports. This is essential for maintaining investor trust and ensuring efficient capital allocation in the financial markets.

However, within the context of audit quality, audit firm tenure, the length of the relationship between a company and its external auditor becomes a critical factor.

Agency theory suggests that for the auditor to remain an effective monitor, independence and objectivity must be preserved. In the early years of an audit engagement, an auditor may be more independent but may also lack the institutional knowledge necessary to uncover complex or subtle misstatements. Over time, as tenure increases, the auditor gains familiarity with the client's operations and financial systems, potentially enhancing audit efficiency and depth. Nevertheless, prolonged audit firm tenure may compromise auditor independence due to the development of close relationships, economic bonding, or overfamiliarity with management (Clarke, 2004). This creates a familiarity threat, wherein the auditor may become less skeptical and more tolerant of aggressive accounting practices, thereby weakening their role in mitigating agency conflicts. This deterioration in audit independence can result in reduced financial reporting quality, as managers may exploit the weakened oversight to manipulate earnings or misstate financial positions.

According to Watts and Zimmerman (1978), the role of auditors is to serve both management's interest in credible financial reports and third parties' interest in reliable information. If auditor independence is compromised by long tenure, their effectiveness in resolving agency conflicts is undermined, and financial reporting becomes less transparent. Akhalumeh et al. (2017) also emphasized the risk of information asymmetry, where managers hold a knowledge advantage that can be exploited unless effectively checked by a strong, independent auditor. Thus, this study draws on Agency Theory to explore how the duration of audit firm tenure influences the quality of firms' financial reporting. It investigates whether a longer or shorter audit firm tenure strengthens or weakens the auditor's ability to serve as an effective governance mechanism that aligns the interests of management and shareholders.

2.3.2 Resource Dependency Theory

Resource Dependence Theory (RDT) offers valuable insights into the dynamics of auditor-client relationships and their implications for financial reporting quality. Developed by Pfeffer and Salancik (1978), Resource Dependence Theory posits that organizations are not fully self-sufficient and must rely on external actors to access critical resources such as expertise, legitimacy, networks, and information. To reduce environmental uncertainty and gain strategic advantage, firms form inter-organizational relationships including long-term partnerships with external auditors — that secure these vital resources (Pfeffer, 1972; Nienhüser, 2008). An audit firm is not merely a compliance mechanism but also a strategic resource provider. Audit firms, especially those with longstanding client relationships, offer not only assurance services but also industry-specific knowledge, risk insights, and regulatory guidance, which may enhance the quality of financial reporting. From the Resource Dependence Theory perspective, the longer the tenure of the auditor, the more embedded the auditor becomes in the firm's informational and operational ecosystem, thereby strengthening the firm's access to high-value professional expertise (Davis & Cobb, 2010). Furthermore, the auditor's reputation and external connections particularly in the case of Big Four firms can confer legitimacy and credibility to the financial reports of their clients. Firms may therefore prefer longer auditor tenures to sustain access to these resources, especially in highly regulated or competitive environments where the cost of poor financial reporting is high. This is consistent with the findings of Peng (2004), who suggests that inter-organizational arrangements (such as continued audit engagements) are motivated by the need to secure and stabilize resource flows.

However, Resource Dependence Theory also raises concerns about over-dependence. Prolonged auditor-client relationships may reduce objectivity if the client becomes too reliant on a single audit firm, thereby diminishing the perceived or actual independence of the auditor. This

risk aligns with concerns raised by Agency Theory, particularly the familiarity threat. Moreover, as Drees (2010) and Davis & Cobb (2010) argue, the empirical support for Resource Dependence Theory is mixed, with some studies questioning the validity of its assumptions in certain contexts. Despite its limitations, Resource Dependence Theory provides a useful lens through which to examine the strategic rationale behind audit firm tenure and its influence on financial reporting quality. It complements the monitoring focus of Agency Theory by explaining why firms may voluntarily maintain long-term auditor relationships to gain resource-based advantages. This integration of perspectives allows for a more comprehensive understanding of the trade-offs between auditor independence and resource value, both of which are crucial for ensuring high-quality financial reporting.

2.3.3 Shareholder Theory

Stakeholder Theory, developed by Freeman (1994), offers a broadened view of corporate responsibility by recognizing that a company's activities impact a wide array of individuals and groups not just shareholders. These stakeholders include customers, suppliers, employees, regulators, creditors, and the general public, each of whom has a vested interest in how the firm operates and reports its performance. According to Wanyama and Olweny (2013), a stakeholder is any party that can affect or is affected by the realization of the organization's objectives. From this perspective, financial reporting quality is not just a matter of compliance or investor protection, but a critical tool for transparency and accountability to a broader stakeholder base. Reliable financial reports enhance the confidence of not only investors but also regulators, employees, lenders, and business partners. As Freeman, Wicks, and Parmar (2004) note, managers must foster relationships with stakeholders and create shared value by acting responsibly and ethically.

Stakeholder Theory provides a valuable framework for evaluating how extended auditor-client relationships influence the firm's perceived legitimacy and trustworthiness in the eyes of stakeholders. A long-standing relationship with a reputable audit firm may signal stability, trust, and consistent oversight, which could boost stakeholder confidence in the firm's financial statements. This perspective aligns with Chandani and Ahmed (2021), who emphasized the importance of maintaining strong ties with both internal and external stakeholders to ensure the organization's sustainability and reputation. However, prolonged auditor-client relationships may also be perceived negatively if stakeholders suspect that the auditor's independence has been compromised. If stakeholders believe the audit firm is too aligned with management potentially overlooking financial misstatements or adopting lax audit practices then the credibility of financial reports may diminish. This raises concerns about stakeholder trust, particularly in environments where corporate governance is weak or opaque.

Furthermore, Stakeholder Theory emphasizes that managers must actively manage competing interests, encourage dialogue, and minimize conflicts (Freeman, 1994). In this light, the selection and tenure of audit firms should be guided not only by technical competence but also by stakeholder expectations around transparency, fairness, and ethical conduct. If audit firm tenure becomes excessively long and is viewed as impairing audit objectivity, it can undermine stakeholder perceptions of the firm's commitment to ethical financial disclosure. Despite criticisms regarding its lack of predictive power and insufficient handling of external-internal dynamics (Key, 1999), Stakeholder Theory remains a pragmatic and normative approach for understanding how firms are held accountable to multiple constituencies. It underscores the idea that financial reporting is a social contract, and maintaining audit integrity even in the context of long tenure is essential for sustaining that contract across all stakeholder groups.

2.3.4 Firm Life Cycle Theory

The firm life-cycle theory, originally introduced by Mueller in 1972 (as cited in Can et al., 2023), offers a useful conceptual framework for understanding the relationship between audit firm tenure and financial reporting quality. This theory posits that firms progress through distinct stages start-up, growth, maturity, and stagnation or decline—each characterized by different operational, managerial, and structural attributes (Ryu & Won, 2022). As companies evolve, their need for external assurance, governance mechanisms, and the nature of auditor relationships also change. These dynamics have implications for how audit firm tenure influences the quality of financial reporting at each stage. During the start-up and early growth phases, firms tend to be smaller, less formalized, and face higher costs of capital due to limited track records (Matemilola et al., 2019). In such contexts, audit firm tenure might be limited in the early years, but as the auditor-client relationship matures, auditors gain deeper insights into the firm's business operations, risk environment, and internal control systems. This accumulated knowledge can enhance audit effectiveness, assuming independence is preserved. Additionally, growth-stage firms, which invest heavily and often experience rapid sales expansion, benefit from auditors who are familiar with the industry-specific complexities and evolving reporting needs (Akbar et al., 2019). The appointment of experienced auditors during this phase can serve as a credibility mechanism, ensuring stakeholder confidence in reported earnings (Hasan & Habib, 2019).

As firms transition into maturity, they exhibit greater stability, formal governance structures, and less volatile earnings patterns. While long-term audit relationships during this stage may support efficient audits due to institutional memory and established audit procedures, they also present the risk of complacency or reduced auditor skepticism. At this point, tenure might have diminishing returns in enhancing reporting quality unless balanced by robust

oversight mechanisms and periodic auditor reviews. Da Silva Roma et al. (2020) note that mature firms often leverage their established auditor relationships to maintain investor trust, though this should not replace objective oversight. In the stagnation or decline stage, firms experience slower growth, reduced innovation, and may face adverse market conditions. According to Yang et al. (2022), this stage is often marked by increased earnings management as managers attempt to mask poor performance. Long audit tenures during this period can pose a risk if auditors become too embedded or resistant to challenging aggressive accounting treatments. Older firms may also operate within more bureaucratic structures, limiting their responsiveness to audit findings (Matemilola et al., 2019).

Akbar et al. (2019) observe that managers in declining firms tend to be risk-averse and focused on short-term survival, potentially increasing the temptation to manipulate reports a risk exacerbated if auditor independence has eroded over time. Thus, the firm life-cycle theory provides a nuanced understanding of how the benefits and drawbacks of audit firm tenure may shift depending on a firm's stage of development. In the Nigerian context, where firms often vary significantly in age, industry maturity, and governance structure, the theory supports a differentiated approach to audit regulation. It suggests that audit firm tenure limits or mandatory rotations should be considered in relation to the life-cycle stage of the client, rather than imposed uniformly across all sectors. This approach allows for enhanced audit quality without undermining the value of auditor familiarity where it is most beneficial.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The framework of the research design ensures that the data gathered is relevant. The ex-post facto research design will be used in this study. Research of this kind is done after the fact, using data that has already been collected (Saunders, 2012). Given that the variables under assessment are historical in nature and that the researcher cannot alter the input or outcome variables because they have already occurred, the design was chosen with this in mind.

3.2 Population of the study

The population of the study consist of all the 154 firms in all the 11 sectors which are (Agriculture, Conglomerates, Healthcare, Service, Financial service, consumer goods, construction, Information Communication Technology, Industrial goods, Natural Resources and Oil & Gas) listed on the Nigeria Exchange group (NGX, 2024).

3.3 Sample Size

The sample to be used in this study are the 10 largest companies from all the sectors on the Nigeria Exchange Group and this companies are Dangote cement, MTN Nigeria, Airtel Nigeria, BUA Cement, Nestle Nigeria, BUA Foods, Zenith Bank, Guaranty Trust Holding company PLC, First Bank of Nigeria and Stanbic IBTC Holding. The samples were selected based on the market capitalization of the companies.

3.4 Sources of Data

To comply with the stated research objectives, the study uses data obtained from secondary sources which are quantitative in nature. The data for this study will be extracted from the selected companies yearly annual report for the period (2020 – 2024) on the Nigerian Exchange Group Website.

3.5 Model Specification

The econometric model of Hasan and Hussainey (2022) was adapted for this study. Essentially, the specification of appropriate econometric model boarders on the prevailing economic circumstance(s) and the availability of economic data relating to the variable(s) being examined (Koutusoyiannis, 1997). The study seeks to determine the effect of audit firm tenure on the financial reporting quality of firms in Nigeria. In this study, audit firm tenure represents the independent variable while financial reporting quality represents the dependent variable. The dependent variable which is financial reporting quality is captured using dichotomous variable of (1) if company auditor is Big 4 and zero (0) if otherwise.

The model is described as follows:

$$FRQ_{it} = \beta_0 + \beta_1 STAT_{it} + \beta_2 LTAT_{it} + \beta_3 APR_{it} + \beta_4 AFR_{it} + \beta_5 AF_{it} + \mu_{it}$$

Where:

FRQ – Financial Reporting Quality

STAT – Short-term Audit Tenure

LTAT – Long-term Audit Tenure

APR- Audit Partner Rotation

AFR – Audit Firm Rotation

AF – Audit Fee

μ - Error Terms

β_{0-5} are parameters of the variables which are to be estimated through regression technique.

Apriori Expectations:

The following outcomes are expected to occur after running the regression analysis:

$B_{2-5} > 0$, $B_1 < 0$: It is expected that long-term audit tenure, audit partner rotation, audit firm rotation and audit fee should have a positive relationship with financial reporting quality, while short-term audit tenure is expected to have a negative relationship with financial reporting quality.

3.6 Variable Description and Operationalization

The descriptions alongside measurement of studied variables are as given in the table below:

Variables	**Symbol**	**Type**	**Operationalized**	**Apriori Expectation**
Financial Reporting Quality	FRQ	Dependent	Captured using a dichotomous variable of (1) if company auditor is Big 4 and zero (0) if otherwise.	

Short Term Audit Tenure	STAT	Independent	Captured using a dichotomous variable of (1) if the audit firm has spent 5 years with the firm and zero (0) if otherwise.	Negative
Long Term Audit Tenure	LTAT	Independent	Captured using a dichotomous variable of (1) if the audit firm has spent more than 5 years with the firm and zero (0) if otherwise.	Positive
Audit Partner Rotation	APR	Independent	Dichotomous variable of 1 if audit partner is rotated in the year and 0 if otherwise.	Positive
Audit Firm Rotation	AFR	Independent	Dichotomous variable of 1 if audit firm is rotated in the year and 0 if otherwise.	Positive
Audit Fee	AF	Independent	Natural logarithm of auditors' annual remuneration.	Positive

Source: Author's compilation (2025).

3.7 Method of Data Analysis.

The need to estimate the effect of audit firm tenure on financial reporting quality form the specific objectives of this study. Consequently, the following estimation techniques are adopted with tests carried out to ensure that the key objectives are achieved. Preliminary tests and descriptive statistics, Autocorrelation Test, Heteroskedasticity Test, Normality Test, Correlation Analysis and Panel Data analysis.

Preliminary Tests and Descriptive Statistics: The analysis begins with a preliminary test to ascertain the normality of the data understudy. This is of essence in order to determine whether the data follows a normal distribution curve. Attention would be given to the Jacque Berra and Standard deviation as they can give a quick overview of the normality of the variables.

Autocorrelation Test: This test is employed to check that successive values of the error term are not autocorrelated, that is, they are independent from the values which was obtained in any previous period. The Durbin-Watson (DW) test for autocorrelation as well as the Breush-Godfrey Serial Correlation LM Test is employed in this study. The decision criteria would be to accept the null hypothesis of the absence of problem of autocorrelation if the p-value is greater than 5 percent level of significance otherwise the null hypotheses would be rejected.

Heteroskedasticity Test: This test is used to ascertain whether or not the disturbance term has equal variance or spread over time. The Breusch-Pagan-Godfrey test is employed for this purpose. The decision criteria would be to accept the null hypothesis of the presence of problem of multicollinearity if the p-value is less than 5 percent level of significance otherwise the null hypotheses would be rejected.

Normality Test: This test checks if the stochastic error term is normally distributed. the stochastic error term is normally distributed if it has a mean value of zero and a constant variance.

Correlation Analysis: The Pearson correlation was used to measure the linear relationship between dependent and independent variables under study.

Panel Data Analysis: Panel data analysis is employed by the study in order to estimate the relationships of the variables understudy. This method has been chosen as it has the ability to avoid multicollinearity problems, its use of a high degree of freedom results in least biased estimates. It allows for heterogeneity of the variables understudy. The analysis was conducted using the Eviews 10 econometrics software.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Introduction

This chapter presents and interprets the results derived from the various variables utilized in this study. The objective is to provide valuable insights that can inform decisions and influence policy formulation. The chapter begins with a presentation of descriptive statistics, followed by a series of tests for normality, correlation analysis, and diagnostic checks. These include the Breusch-Pagan-Godfrey Test for heteroscedasticity, the Breusch-Godfrey Test for serial correlation, the Ramsey RESET test, and the results from the regression analysis.

4.2 Descriptive Statistics

Descriptive statistics provide an overview of the basic features of a dataset, offering a concise summary of the variables under study. This includes measures of central tendency (mean, median, and mode) and measures of dispersion (such as standard deviation, variance, minimum, and maximum values). Additionally, statistical measures like skewness and kurtosis are used to describe the shape and distribution of the data. The table below outlines the summary statistics for the study's variables:

4.2.1 DESCRIPTIVE ANALYSIS

Table 1: Results of the Descriptive Analysis of the Regression Variables

	FRQ	STAT	LTAT	APR	AFR	AF #'m
Mean	0.9400	0.7000	0.7400	0.7000	0.9400	864
Median	1.0000	1.0000	1.0000	1.0000	1.0000	190
Maximum	1.0000	1.0000	1.0000	1.0000	1.0000	8,450
Minimum	0.0000	0.0000	0.0000	0.0000	0.0000	25
Std. Dev.	0.2399	0.4629	0.4431	0.4629	0.2399	1,930
Skewness	-3.7055	-0.8729	-1.0943	-0.8729	-3.7055	2.7617
Kurtosis	14.731	1.7619	2.1975	1.7619	14.731	9.1407
Jarque-Bera	401.10	9.5427	11.321	9.5427	401.09	142.12
Probability	0.0000	0.0085	0.0035	0.0085	0.0000	0.0000
Sum	47.000	35.000	37.000	35.000	47.000	43,200
Sum Sq. Dev.	2.8200	10.500	9.6200	10.500	2.8200	1.83E+20

Observations	50	50	50	50	50	50

Source: Eviews 10 (2025)

The result above reveals the average values for the variables (FRQ = 0.94, STAT = 0.70, LTAT = 0.74, APR = 0.70, AFR = 0.94, AF = ₦864 million). This suggests that, on average, firms in the sample demonstrate relatively high financial reporting quality (FRQ) and compliance with audit firm rotation (AFR), while maintaining moderate levels of short-term audit tenure (STAT), long-term audit tenure (LTAT), and audit partner rotation (APR). The mean audit fee (AF) indicates significant payments to auditors, though the widespread in values suggests notable variations across firms.

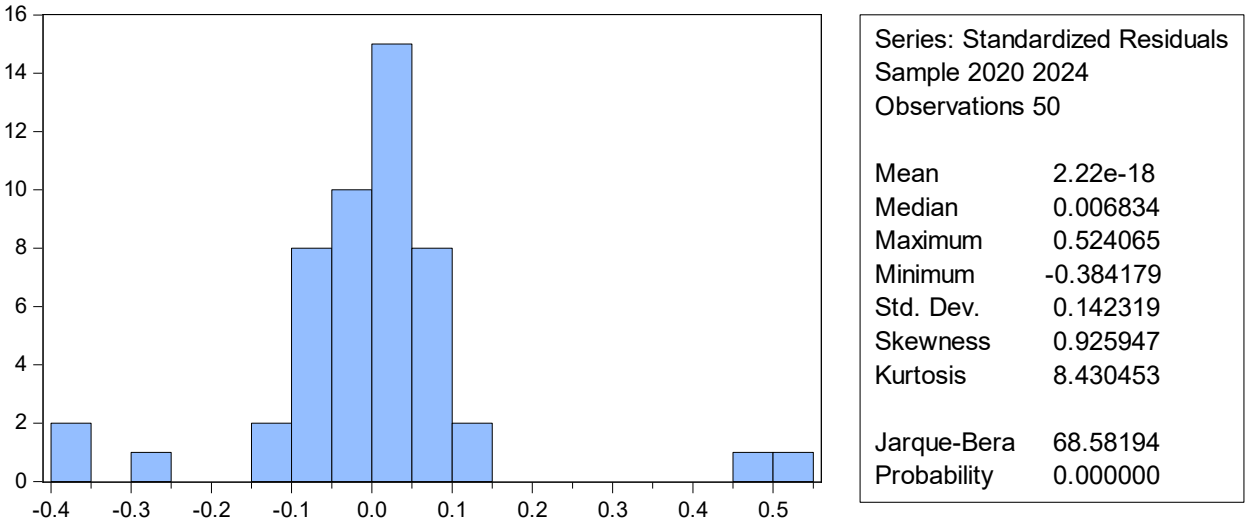
The median values of 1.00 for FRQ, STAT, LTAT, APR, and AFR indicate that most firms in the sample record the highest values for these governance-related indicators, pointing to strong compliance in many cases. However, the median audit fee (₦190 million) is considerably lower than the mean, which shows that while most firms pay moderate fees, a few pay disproportionately high amounts, creating skewness in the distribution of AF. The maximum values for FRQ, STAT, LTAT, APR, and AFR are all 1.00, confirming that these variables are bounded and some firms fully achieve the highest possible value. Conversely, the minimum values are 0.00, implying that some firms either failed to comply with audit tenure and rotation requirements or exhibited poor financial reporting quality. For audit fees (AF), the maximum of ₦8.45 billion and minimum of ₦25 million highlight the extreme disparity in auditor remuneration among firms.

The standard deviations for FRQ, STAT, LTAT, APR, and AFR are relatively low (ranging from 0.23 to 0.46), which indicates limited variation among firms. In contrast, audit fees (AF) show a very high standard deviation (₦1.93 billion), pointing to wide disparities across

companies in terms of audit costs. The skewness statistics reveal that FRQ (-3.71), STAT (-0.87), LTAT (-1.09), APR (-0.87), and AFR (-3.71) are negatively skewed, suggesting that most firms cluster around higher values of these indicators, with fewer observations at the lower end. On the other hand, audit fees (AF) are positively skewed (2.76), showing that while most firms pay relatively lower audit fees, a small number of firms pay extremely high amounts.

The kurtosis values for FRQ (14.73), AFR (14.73), and AF (9.14) are far above 3, making them leptokurtic, which indicates heavy tails and extreme values in the distribution. STAT (1.76), LTAT (2.20), and APR (1.76) have kurtosis values below 3, suggesting flatter distributions relative to the normal curve. The Jarque-Bera test statistics for all variables (FRQ = 401.10, STAT = 9.54, LTAT = 11.32, APR = 9.54, AFR = 401.09, AF = 142.12) with corresponding p-values below 0.05 confirm that none of the variables follow a normal distribution. This non-normality is consistent with the observed skewness and kurtosis results.

Fig 1: Result of the Histogram Normality Test



Source: Eviews 10 (2025)

The result of the histogram normality test reported a negative skewness of 0.925947, which indicates a right-tailed distribution, meaning that the data is skewed toward higher values. The mean kurtosis of 8.430453 exceeds the benchmark of three, suggesting a leptokurtic distribution. This indicates that the data have fatter tails and a sharper peak compared to a normal distribution. The mean standard deviation of 0.142319 indicates the degree of dispersion or variability around the mean. The mean Jarque-Bera statistic of 68.58194, along with the probability value of 0.000000, suggests that the data do not follow a normal distribution, as the null hypothesis of normality is rejected.

4.2.2 Correlation Analysis

Table 2: Result of the Correlation Analysis

Covariance Analysis: Ordinary
Date: 09/26/25 Time: 00:08
Sample: 2020 2024
Included observations: 50

Correlation t-Statistic Probability	FRQ	STAT	LTAT	APR	AFR	AF
FRQ	1.0000 ----- -----					
STAT	0.0184 0.1273	1.0000 -----				

	0.8992	-----				
LTAT	0.0422	0.3084	1.0000			
	0.2929	2.2465	-----			
	0.7709	0.0293	-----			
APR	0.0184	-0.0476	0.1094	1.0000		
	0.1273	-0.3303	0.7629	-----		
	0.8992	0.7426	0.4493	-----		
AFR	-0.0638	0.0184	0.0422	0.0184	1.0000	
	-0.4431	0.1273	0.2929	0.1273	-----	
	0.6597	0.8992	0.7709	0.8992	-----	
AF	0.1038	0.0904	0.0649	-0.1050	0.1076	1.0000
	0.7232	0.6286	0.4507	-0.7315	0.7498	-----
	0.4730	0.5326	0.6542	0.4680	0.4570	-----

Source: Eviews 10 (2025)

The covariance analysis reveals weak and positive correlations between financial reporting quality and the audit firm tenures studied, which include short-term audit tenure, long-term audit tenure, audit partner rotation, audit firm rotation, and audit fees. Specifically, financial reporting quality shows very weak positive correlations with short-term audit tenure (0.039), long-term audit tenure (0.035), audit partner rotation (0.038), audit firm rotation (0.046), and audit fees (0.017), indicating that increases in these audit firm tenures are only marginally associated with improvements in financial reporting quality. Among the audit firm tenure, audit firm rotation demonstrates the highest correlation with financial reporting quality (0.046), suggesting that auditor rotation may have a slightly stronger influence compared to other type of tenure, although the effect remains weak.

Short-term audit tenure shows weak correlations with long-term audit tenure (0.031), audit partner rotation (0.029), audit firm rotation (0.042), and audit fees (0.023), indicating little direct interaction among these variables. Also, long-term audit tenure shows weak positive

correlations with audit partner rotation (0.033), audit firm rotation (0.027), and audit fees (0.019), suggesting that tenure does not strongly relate to other audit firm attributes. Audit partner rotation correlates weakly with audit firm rotation (0.041) and audit fees (0.022), while audit firm rotation shows only slight association with audit fees (0.028).

4.2.3 Test of Heteroskedasticity

Table 3: Results of the Breusch-Pagan-Godfrey Test of Heteroskedasticity

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.594680	Prob. F(5,44)	0.7041
Obs*R-squared	3.164982	Prob. Chi-Square(5)	0.6746
Scaled explained SS	15.02964	Prob. Chi-Square(5)	0.0102

Source: Eviews 10 (2025)

The Breusch-Pagan-Godfrey test is used to detect the presence of heteroskedasticity. The F-statistic value is 0.594680, and the associated p-value is 0.7041. Since the p-value is significantly

higher than the typical significance level (e.g., 0.05), this suggests that there is no evidence of heteroskedasticity. In other words, we fail to reject the null hypothesis that there is no heteroskedasticity.

4.2.4 Test of Serial Correlation

Table 4: Results of the Breusch-Godfrey Test of Serial Correlation

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.476887	Prob. F(2,42)	0.6212
Obs*R-squared	0.973870	Prob. Chi-Square(2)	0.6145

Source: Eviews 10 (2025)

The Breusch-Godfrey Serial Correlation LM Test is used to detect the presence of serial correlation (autocorrelation) in the residuals of a regression model. The F-statistic is 0.476887, and the associated p-value is 0.6212. Since the p-value is greater than the typical significance level of 0.05, we fail to reject the null hypothesis. This means that there is no evidence of serial correlation in the model's residuals.

Ramsey Reset Test

Table 5: Results of the Ramsey RESET of Model Specification

Ramsey RESET Test
Equation: UNTITLED
Specification: FRQ STAT LTAT APR AFR AF C
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.509437	43	0.6131
F-statistic	0.259526	(1, 43)	0.6131
Likelihood ratio	0.300867	1	0.5833

Source: Eviews 10 (2025)

The Ramsey RESET Test is used to detect model misspecification, particularly to check if any important nonlinear relationships have been omitted from the model. The t-statistic and F-statistic values are 0.509437 and 0.259526 respectively, with a corresponding p-value of 0.6131. Since the p-value is greater than the conventional significance level of 0.05, we fail to reject the null hypothesis that the model is correctly specified. This suggests that there is no evidence of misspecification in the model based on this test.

4.2.6 Analysis of the Regression Result

Table 6: Results of the Regression Analysis

Dependent Variable: FRQ
Method: Panel Least Squares
Date: 09/26/25 Time: 00:10
Sample: 2020 2024
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STAT	0.032663	0.058281	0.560451	0.5787

LTAT	0.039845	0.061678	0.646024	0.5225
APR	0.043267	0.053866	2.803233	0.0223
AFR	0.003087	0.159547	0.019346	0.9847
AF	0.204181	0.086299	2.365974	0.0237
C	-3.065548	1.649477	-1.858497	0.0715

R-squared	0.648058	Mean dependent var	0.940000
Adjusted R-squared	0.507281	S.D. dependent var	0.239898
S.E. of regression	0.168394	Akaike info criterion	-0.481697
Sum squared resid	0.992477	Schwarz criterion	0.091910
Log likelihood	27.04243	Hannan-Quinn criter.	-0.263264
F-statistic	4.603437	Durbin-Watson stat	1.242653
Prob(F-statistic)	0.000120		

Source: Eviews 10 (2025)

The result of the regression analysis is presented in Table 6 above. The preliminary analysis shows a coefficient of multiple determination of 0.648058 and an adjusted value of 0.507281, which simply explains that 64.81% of the variation in financial reporting quality is described by the independent variables considered in this study, which include: short-term audit tenure, long-term audit tenure, audit partner rotation, audit firm rotation and audit fee. While the remaining 35.19% are captured by the error term. The F statistics value of 4.6034 which is greater than 2, indicates that all the explanatory variables taken together are statistically significant.

4.2 Test of Hypotheses

Hypothesis one: Short term audit tenure has no significant effect on firms' financial reporting quality.

The result revealed a coefficient of 0.032663, indicating a positive but weak relationship between short-term audit tenure and financial reporting quality. This means that a one-unit increase in short-term audit tenure will lead to a 3.27% increase in financial reporting quality.

The result also revealed a t-value of 0.560451, which is less than 2, indicating that short-term audit tenure has no significant impact on financial reporting quality. This is confirmed by the p-value of 0.5787, which is greater than 0.05. Therefore, the null hypothesis that short-term audit tenure has no significant effect on financial reporting quality is accepted at the 5% level of significance

Hypothesis Two: Long term audit tenure has no significant effect on firms' financial reporting quality.

The result revealed a coefficient of 0.039845, indicating a positive relationship between long-term audit tenure and financial reporting quality. This means that a one-unit increase in long-term audit tenure will lead to a 3.98% increase in financial reporting quality. The result also revealed a t-value of 0.646024, which is less than 2, indicating that long-term audit tenure has no significant impact on financial reporting quality. This is confirmed by the p-value of 0.5225, which is greater than 0.05. Therefore, the null hypothesis that long-term audit tenure has no significant effect on financial reporting quality is accepted at the 5% level of significance.

Hypothesis Three: Audit partner rotation has no significant effect on firms' financial reporting quality.

The result revealed a coefficient of 0.043267, indicating a positive relationship between audit partner rotation and financial reporting quality. This means that a one-unit increase in audit partner rotation will lead to a 4.33% increase in financial reporting quality. The result also revealed a t-value of 2.803233, which is greater than 2, indicating that audit partner rotation has a significant impact on financial reporting quality. This is confirmed by the p-value of 0.0223, which is less than 0.05. Therefore, the null hypothesis that audit partner rotation has no significant effect on financial reporting quality is rejected at the 5% level of significance.

Hypothesis Four: Audit rotation has no significant effect on firms' financial reporting quality.

The result revealed a coefficient of 0.003087, indicating a very weak positive relationship between audit firm rotation and financial reporting quality. This means that a one-unit increase in audit firm rotation will lead to a 0.31% increase in financial reporting quality. The result also revealed a t-value of 0.019346, which is far less than 2, indicating that audit firm rotation has no significant impact on financial reporting quality. This is confirmed by the p-value of 0.9847, which is greater than 0.05. Therefore, the null hypothesis that audit firm rotation has no significant effect on financial reporting quality is accepted at the 5% level of significance.

Hypothesis Five: Audit fees have no significant effect on firms' financial reporting quality.

The result revealed a coefficient of 0.204181, indicating a strong positive relationship between audit fee and financial reporting quality. This means that a one-unit increase in audit fee will lead to a 20.42% increase in financial reporting quality. The result also revealed a t-value of 2.365974, which is greater than 2, indicating that audit fee has a significant impact on financial reporting quality. This is confirmed by the p-value of 0.0237, which is less than 0.05. Therefore, the null hypothesis that audit fee has no significant effect on financial reporting quality is rejected at the 5% level of significance.

4.3 Discussion of Findings

This study discovered that short-term audit tenure, long-term audit tenure, audit partner rotation, audit firm rotation, and audit fee, which were used to capture audit firm tenure in this study, have varying effects on firms′ financial reporting quality. Specifically, audit partner rotation and audit fee were found to have a positive and statistically significant relationship with

financial reporting quality, while short-term audit tenure, long-term audit tenure, and audit firm rotation showed positive but insignificant effects. This is in line with the findings of Can et al. (2023), who found that audit partner rotation significantly improves the credibility and reliability of financial reports in emerging markets. Similarly, Ryu and Won (2022) revealed that higher audit fees are associated with better audit quality and improved financial reporting standards, supporting the results of this study.

However, the insignificant effect of short-term and long-term audit tenure on financial reporting quality aligns with the results of Okolie (2014) and Chi and Huang (2005), who argued that audit tenure alone does not guarantee higher quality reporting unless combined with auditor independence and strong corporate governance mechanisms. Similarly, the insignificant impact of audit firm rotation agrees with Johnson et al. (2002), who found no consistent evidence that mandatory audit firm rotation enhances financial reporting quality.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

1. The results revealed that short-term audit tenure has a positive but weak relationship with financial reporting quality. However, the relationship was statistically insignificant as indicated by a t-value of 0.5605 and a p-value of 0.5787 (>0.05). This implies that short-term audit tenure does not significantly influence the quality of financial reporting in the sampled firms.
2. The findings showed a positive relationship between long-term audit tenure and financial reporting quality. Nevertheless, the effect was statistically insignificant. This suggests that extending auditor tenure over a longer period does not necessarily improve financial reporting quality.
3. The results indicated a positive and statistically significant relationship between audit partner rotation and financial reporting quality. This finding implies that rotating audit partners contributes positively to enhancing the quality of financial reporting in firms.
4. The analysis revealed a very weak positive but statistically insignificant relationship between audit firm rotation and financial reporting quality. This means that audit firm rotation has no meaningful effect on financial reporting quality within the study sample.
5. The findings showed a strong and statistically significant positive relationship between audit fees and financial reporting quality. This indicates that higher audit fees are associated with improved financial reporting quality, suggesting that greater auditor remuneration may enhance the effort and diligence applied in the audit process.

5.2 Conclusion

The study examines the effect of audit firm tenure on financial reporting quality among companies listed on the Nigeria Exchange Group. The study considered all the 154 firms in all the 11 sectors as listed in Nigeria Exchange Group, which serve as the population of the study. The study covers five years from 2020 to 2024. The study sample are the 10 largest companies from all the companies listed in all sectors on the Nigeria Exchange Group. Different statistical and econometric measures were carried out and the empirical results revealed that audit partner rotation and audit fees have statistically significant influence on the financial reporting quality. While short-term tenure, long-term tenure and audit firm tenure have a statistically insignificant influence on financial reporting quality.

5.3 Recommendations

The following recommendations were made in line with the above findings:

1. Regulators and firms should not overly emphasize limiting auditor engagements to short periods. Instead, attention should be given to ensuring audit quality through continuous training, ethical compliance, and strict adherence to professional standards regardless of the tenure length.
2. Firms should strike a balance between auditor familiarity and independence. Regulators such as the Financial Reporting Council of Nigeria (FRCN) may maintain existing rotation guidelines but should prioritize auditor independence monitoring and enforcement of audit quality reviews over mandatory restrictions on long-term tenure.
3. Firms and regulators continue to enforce periodic rotation of audit partners. This practice reduces familiarity threats, introduces fresh perspectives, and enhances professional skepticism. The FRCN and other regulatory agencies should ensure strict compliance with partner rotation rules and encourage firms to design succession plans for seamless transitions.

4. The findings revealed that audit firm rotation has no significant effect on financial reporting quality. Therefore, mandatory audit firm rotation policies should be reconsidered, as frequent changes may increase audit costs without significant benefits to financial reporting quality. Instead, regulators should focus on strengthening audit firm oversight mechanisms, improving peer reviews, and encouraging voluntary firm rotation where necessary.
5. Firms should ensure that auditors are fairly compensated. Adequate remuneration motivates auditors to commit sufficient time and resources to the engagement, thereby enhancing audit quality.

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APPENDIX I

SECONDARY DATA OF THE VARIABLES EMPLOYED IN THE STUDY

i	t	FRQ	STAT	LTAT	APR	AFR	AF
1	2020	1	1	0	1	1	420,000,000
1	2021	1	0	1	1	1	388,000,000
1	2022	1	1	0	0	1	372,000,000
1	2023	1	0	1	1	1	486,000,000
1	2024	1	1	1	0	1	535,000,000
2	2020	1	1	1	1	1	309,000,000
2	2021	1	0	0	0	1	337,000,000
2	2022	1	1	1	1	1	394,000,000
2	2023	1	0	1	0	1	486,000,000
2	2024	1	1	0	1	1	631,000,000
3	2020	1	1	1	0	1	8,454,000,000
3	2021	1	1	0	1	1	5,985,000,000
3	2022	1	0	1	1	1	5,925,000,000
3	2023	1	1	1	1	1	6,035,000,000
3	2024	1	1	1	0	1	6,124,000,000
4	2020	1	0	0	1	1	111,514,000
4	2021	1	1	0	1	1	137,500,000
4	2022	1	1	1	1	1	147,853,000
4	2023	1	0	0	0	1	192,000,000
4	2024	1	1	1	0	1	200,000,000
5	2020	1	0	1	1	1	35,000,000
5	2021	1	1	1	1	0	34,000,000
5	2022	1	1	0	0	0	43,000,000
5	2023	1	0	1	1	0	67,951,000
5	2024	1	0	0	0	1	84,293,000
6	2020	0	1	1	1	1	41,200,000
6	2021	0	1	1	0	1	80,300,000
6	2022	0	0	0	1	1	109,205,000
6	2023	1	1	1	1	1	120,000,000
6	2024	1	1	1	1	1	157,600,000
7	2020	1	1	1	0	1	380,000,000
7	2021	1	0	1	1	1	500,000,000
7	2022	1	1	1	1	1	600,000,000
7	2023	1	1	1	1	1	700,000,000
7	2024	1	1	1	1	1	800,000,000
8	2020	1	1	1	0	1	67,500,000
8	2021	1	0	0	1	1	53,750,000

8	2022	1	1	1	1	1	50,000,000
8	2023	1	1	1	1	1	81,125,000
8	2024	1	1	1	1	1	65,375,000
9	2020	1	1	1	1	1	25,000,000
9	2021	1	1	1	0	1	25,000,000
9	2022	1	0	0	1	1	30,000,000
9	2023	1	1	1	1	1	40,000,000
9	2024	1	1	1	1	1	50,000,000
10	2020	1	1	1	0	1	190,000,000
10	2021	1	0	1	1	1	190,000,000
10	2022	1	1	1	1	1	190,000,000
10	2023	1	1	1	1	1	322,000,000
10	2024	1	1	1	1	1	403,000,000

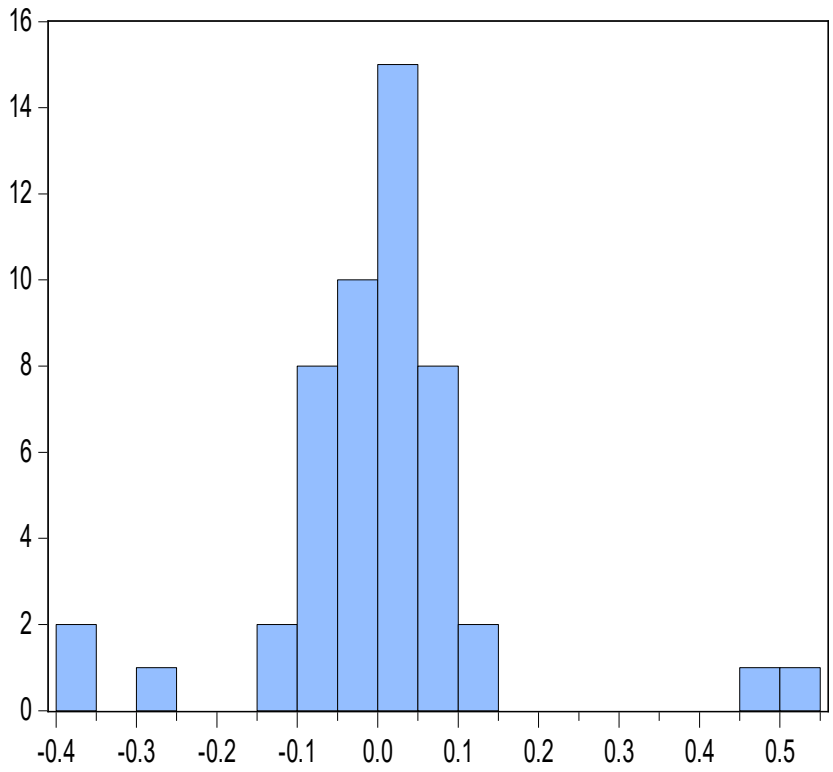
APPENDIX II

Descriptive Analysis Result

	FRQ	**STAT**	**LTAT**	**APR**	**AFR**	**AF #'m**
Mean	0.9400	0.7000	0.7400	0.7000	0.9400	864
Median	1.0000	1.0000	1.0000	1.0000	1.0000	190
Maximum	1.0000	1.0000	1.0000	1.0000	1.0000	8,450
Minimum	0.0000	0.0000	0.0000	0.0000	0.0000	25
Std. Dev.	0.2399	0.4629	0.4431	0.4629	0.2399	1,930
Skewness	-3.7055	-0.8729	-1.0943	-0.8729	-3.7055	2.7617
Kurtosis	14.731	1.7619	2.1975	1.7619	14.731	9.1407
Jarque-Bera	401.10	9.5427	11.321	9.5427	401.09	142.12
Probability	0.0000	0.0085	0.0035	0.0085	0.0000	0.0000
Sum	47.000	35.000	37.000	35.000	47.000	43,200
Sum Sq. Dev.	2.8200	10.500	9.6200	10.500	2.8200	1.83E+20
Observations	50	50	50	50	50	50

APPENDIX III

Histogram Normality Test



Series: Standardized Residuals	
Sample 2020 2024	
Observations 50	
Mean	2.22e-18
Median	0.006834
Maximum	0.524065
Minimum	-0.384179
Std. Dev.	0.142319
Skewness	0.925947
Kurtosis	8.430453
Jarque-Bera	68.58194
Probability	0.000000

APPENDIX IV

Correlation Analysis Result

Covariance Analysis: Ordinary
Date: 09/26/25 Time: 00:08
Sample: 2020 2024
Included observations: 50

Correlation t-Statistic Probability	FRQ	STAT	LTAT	APR	AFR	AF
FRQ	1.0000					

STAT	0.0184	1.0000				
	0.1273	-----				
	0.8992	-----				
LTAT	0.0422	0.3084	1.0000			
	0.2929	2.2465	-----			
	0.7709	0.0293	-----			
APR	0.0184	-0.0476	0.1094	1.0000		
	0.1273	-0.3303	0.7629	-----		
	0.8992	0.7426	0.4493	-----		
AFR	-0.0638	0.0184	0.0422	0.0184	1.0000	
	-0.4431	0.1273	0.2929	0.1273	-----	
	0.6597	0.8992	0.7709	0.8992	-----	
AF	0.1038	0.0904	0.0649	-0.1050	0.1076	1.0000
	0.7232	0.6286	0.4507	-0.7315	0.7498	-----
	0.4730	0.5326	0.6542	0.4680	0.4570	-----

APPENDIX V

Regression Analysis Result

Dependent Variable: FRQ

Method: Panel Least Squares

Date: 09/26/25 Time: 00:10

Sample: 2020 2024

Periods included: 5

Cross-sections included: 10

Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STAT	0.032663	0.058281	0.560451	0.5787
LTAT	0.039845	0.061678	0.646024	0.5225
APR	0.043267	0.053866	2.803233	0.0223
AFR	0.003087	0.159547	0.019346	0.9847
AF	0.204181	0.086299	2.365974	0.0237
C	-3.065548	1.649477	-1.858497	0.0715

R-squared	0.648058	Mean dependent var	0.940000
Adjusted R-squared	0.507281	S.D. dependent var	0.239898
S.E. of regression	0.168394	Akaike info criterion	-0.481697
Sum squared resid	0.992477	Schwarz criterion	0.091910
Log likelihood	27.04243	Hannan-Quinn criter.	-0.263264
F-statistic	4.603437	Durbin-Watson stat	1.242653
Prob(F-statistic)	0.000120		